NEWS IN BRIEF

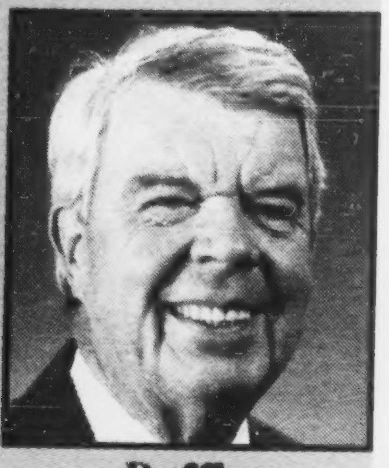
Dot opens first new unit since buyout

LENEXA, Kan. — Dot Drug Stores took the wraps off its first new store since the chain was acquired nearly two years ago from Wal-Mart Stores by a new set of owner-managers. The store opened in the fast-growing Kansas City suburb of Blue Springs, Mo. Nov. 29 with appearances by Kansas City Chiefs cheerleaders, major product giveaways and other grand-opening draws.

The store, located in a former United supermarket, is the largest among Dot's 14 units at 33,800 square feet. It lifts Dot's store count in the metropolitan Kansas City market back to five stores following the closing earlier this year of an older unit on Vivien Road.

Urquhart, Duffley co-chair Marketplace

Urquhart


Duffley

ALEXANDRIA, Va. — Margaret Urquhart, president of Wellby Super Drug Stores, and Paul Duffley, vp trade development, Pepsi-Cola, have been named cochairmen of the NACDS Marketplace Conference Committee.

The Marketplace meeting, a major retail trade show now in its sixth year, will be held June 28-July 1 at the New Orleans Convention Center. Marketplace 1991 was the largest meeting in NACDS' 58-year history, with more than 2,500 registrants and over 426 booths.

Osborne made Pay Less vp-marketing

Osborne

WILSONVILLE, Ore. — Vincent Osborne has been named vp-marketing at Pay Less. He will head the chain's new marketing department and will work closely with the merchandising, advertising and store operations departments to develop coordinated sales and marketing efforts.

Osborne was previously vp-marketing and advertising for Silk Greenhouse in Tampa. He worked for several years at Ames Department stores in a similar position.

Med Shoppe starts Canada franchise

ST. LOUIS — Medicine Shoppe, Intl. has signed a master franchise agreement to bring its pharmacies to Canada. The master franchisee, a group of entrepreneurs, will launch the effort in Edmonton with the opening of three company-owned stores, and then begin franchising.

In August, Medicine Shoppe moved out of the United States for the first time with a master franchise agreement for development of stores in Taiwan.

Barry Katz is the chairman of the Canadian franchise. Katz is also chairman of Value Drug Mart, a co-op chain of 60 full-line drug stores in Alberta and British Columbia.

Van Gardener, the president, is a pharmacist who owns three Value Drug Marts, and Daryl Katz, vice president, is an attorney.

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Bindley weighs purchase of New England-based Goold

INDIANAPOLIS — Bindley Western Industries has signed a letter of intent to purchase Portland, Maine-based wholesaler J.E. Goold & Co.

In the letter, Bindley Western, one of the largest wholesalers in the United States with 1990 sales over $2 billion, proposed acquiring all outstanding shares of Goold's common stock in an exchange of stock. The transaction would be accounted for as a pooling of interest.

No definitive agreement has yet been set, and will be subject to numerous conditions. "The acquisition is still in the letter of intent stage and will probably not close until early in 1992," William Bindley, chairman and ceo of Bindley Western, told *Drug Store News*. He would not disclose the figures being discussed in the acquisition of Goold, which had sales of $180 million in fiscal year ended August 1991.

Bindley felt the proposed acquisition would bring some efficiencies in the Northeast: "We have a distribution center in Brockton, Mass., but we do not service Vermont, New Hampshire or upstate New York. Goold has most of its accounts in the area and has a strong presence with independents, something we want to add to our operations."

The acquisition of Goold would extend Bindley Western's reach from the tip of Maine to southern New Jersey, covering the entire New England area.

Moreover, said Bindley, "we don't have a really good home health care operation and we hope to draw from their's."

If the acquisition becomes final, Bindley said he plans to keep the Goold name and personnel and expects the assimilation of Goold's operations into the Bindley Western network to be smooth because of similarities in data processing systems and marketing strategies.

Rite Aid makes forceful move on 3rd-party

SHIREMANSTOWN, Pa. — Joel Feldman, formerly Rite Aid's assistant vp-third party sales, got more than the average title change with his recent promotion to vp.

The move to change Feldman's new title to vp-managed care services is an effort by Rite Aid to send a message to managed health care providers that the chain is not merely eager to gain more third party business. Rite Aid is aggressively marketing the service aspect it provides to third party administrators.

The marketing effort is being made to show third party administrators that Rite Aid looks at contracts as relationships, not just as new business, according to Amy Lilly, manager of corporate communications. Third party, according to Lilly, is the fastest-growing segment of Rite Aid's business.

"We wanted to put more emphasis on the fact that we are assisting third party administrators to contain costs," said Lilly. "Joel's job has always entailed more than just selling our program. His new title now reflects that."

Pharmacy promotions

In a related development, Mark Fogg, formerly Rite Aid's assistant vp-pharmacy operations, has been promoted to assistant vp-third party pharmacy services. Gregg Montgomery was promoted to vp-pharmacy operations from assistant vp-pharmacy operations. Both Fogg and Montgomery will report to Alex Schamroth, executive vp-pharmacy operations.

Buyers eye SHOPA as Thalheim B-T-S attendance thins

By Barbara White

CHICAGO — Many buyers who were faced with tight budgets and two stationery-home office shows in late-'91 skipped Thalheim's Back-to-School Show here in favor of the upstart SHOPA (School and Home Office Products Association) show in New Orleans.

SHOPA was created last year as a splinter group determined to hold its show in December, a more advantageous buying time for the industry. Thalheim, in a belated consideration of its traditional February show in New York, moved up its show to Nov. 12-14 in Chicago.

Chris Michel, of New Orleans-based K&B, was at the Thalheim show. He said: "I planned to attend both shows this year to give them a fair shot so that I would decide which to attend in 1992. I did have success with vendors at the Chicago show, but it's clear that SHOPA will be the show that's best for me to attend next year."

Patrick Faye, Walgreens' buyer, also attended the Chicago show and will attend this month's SHOPA as well. He's not sure about his '92 plans yet, but noted that "the lack of support by major manufacturers seemed to take the excitement and enthusiasm out of the show."

Mead, Binney & Smith, Borden and Stuart Hall were a few of the big guns missing from the show floor in Chicago. The manufacturers who decided to stick with the Thalheim show were disappointed that buyers were scarce. Some sent members of their sales force home early; a few even packed up their booths before the show's end.

Mark Welfley, marketing communications manager, Pentel of America, said, "We met with maybe 10 qualified buyers, most of them from the Chicago area."

Henry Dicker, show manager, Thalheim Expositions, said that he, too, was disappointed with the show's attendance. "We were as disappointed as the exhibitors. We've had a commitment to this industry for 10 years and we made every effort to promote this show," he said. "People were looking for a February trade show where the aisles were packed, and they didn't get that."

No cross section

Dicker says cross traffic has come in past years from the February Toy Fair in New York. "The 600 major buyers we usually had in New York in February were camouflaged by the other 11,000 buyers who were in town for the toy show," he said. "At this show we had a cross section of buyers, but certainly not what we had anticipated."

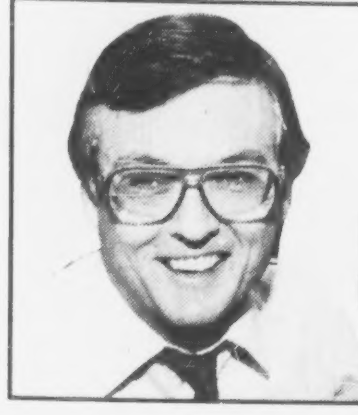
Nor was it what manufacturers expected. "We were extremely disappointed with the show and the representation of buyers at the show," said Mike Carey, director of marketing, Labelon Corp.

Gregg Gittens, vp-sales at Labelon, said he was unable to get a list of buyers expected to attend the show from Thalheim. "We weren't able to get a list before the show, and at the show we got a long list of buyers who never attended," he said.

Dicker said Thalheim is reviewing its plans for next year's show, which will return to New York Nov. 13-15. "We have to look at what we will do, but we're around for the long haul," Dicker said.

However, said John Linster, general manager, Avery Dennison: "We don't plan to attend next year. This was the last straw."

Partnering can lead to better consumer value



IN THE MARKET
BRUCE BUCKLEY

It's been a tough year. Drug stores may have fared better than other retail trade classes that are more dependent on discretionary consumer dollars, but it has been no picnic. Consumers are still hunkering down, even if we have reached the beginning of a new upswing, as many economists say.

Value is the operative word today. The cobwebs may have accumulated on their wallets, but consumers will still spend when confronted with the right combination of quality and price. That's as true today for drug store retailers as it is for automobile dealers and apparel merchants.

Win Weber's thought-provoking special section on retail-vendor partnerships in this issue speaks strongly to the issue of value. What Weber is essentially saying is that if—big if—retailers and vendors can lower their defenses, they can burn the fat out of distribution costs and provide better value to consumers.

Lower costs and better value lead of course to greater sales, which in turn fuels more growth, and so on. Neat scenario, and easier to say than to do in today's superheated retail climate. But it does start with alliances.

Interestingly, drug chains probably begin with a headstart over supermarkets in the partnership arena. That's according to Ron Peterson, Eckerd's executive vp, who has viewed the process from both sides of the fence. He says the suspicion index is much higher in the food industry, where he spent many years as an executive at Jewel Cos. before coming to Eckerd several years ago. What makes drug chains stronger in the alliance area, Peterson told me, are the relationships they have developed at NACDS with associate members.

His observation makes sense. NACDS has long fostered a collegial atmosphere among retailers and suppliers, and today under Ron Ziegler the ties are stronger than ever. Collegial may sound too ivy-covered for the occasionally barefisted give and take among chain drug retailers and their suppliers, but I mean it in the sense of colleagues equally empowered, sharing information and making decisions together.

And in the end it does all come down to sharing information and power, as Win Weber points out in his timely article.

* * *

Eckerd has been much in the business news these days, with its bids for Revco. Less in the media's eye has been the chain's generally strong performance in an economic climate that, as noted above, has not exactly been a picnic. Eckerd's LBO continues to be a model of soundness. Reasonable growth goals are being met, even as retail site developers find themselves in a long-lasting drought. The contests with low-price behemoths like Wal-Mart and Phar-Mor have left a hard edge, along with the understanding that finding the right niche is the only answer to the ongoing assaults.

Finding that niche isn't hard; it's the execution that's tough. And when you're dealing with close to 40,000 associates across a wide swath of the U.S., it's doubly difficult. I like the spirit of helpfulness I recently saw in Eckerd stores, even when I wasn't accompanied by someone from headquarters. I like the look of the stores. I like the ads they run on television showing real Eckerd pharmacists (not actors) reacting to patients. There's not much I didn't like.

If I were a reviewer, I'd give the act four stars. Go see it.

Congress' plan could cost drug stores more

WASHINGTON PERSPECTIVE
KEN RANKIN

Over the past few weeks, a pair of major new drug "reform" proposals were unveiled by Congress and the administration—initiatives that their proponents hope will significantly reduce the cost of prescription medicines throughout the country.

But while they share the same basic objective—lower prescription prices—the alternatives advanced in Congress and at the White House couldn't be more different.

For his part, Senate Aging Committee Chairman David Pryor (D-Ark.) has introduced legislation aimed at forcing pharmaceutical manufacturers to avoid price increases that exceed the annual rise in the Consumer Price Index of inflation.

Pryor, the Congressional godfather of the current Medicaid rebate law, is far from happy with how that particular prescription cost containment scheme is working.

Although drug manufacturers are grudgingly agreeing to offer Medicaid their "best prices," they are achieving that end by raising pharmaceutical prices to institutions which previously enjoyed deep discounts from the industry.

These discriminatory pricing practices have always irritated the drug store industry, and no retail druggists should lament their passing. But increases in the discriminatorily low drug prices available to hospitals haven't produced any reductions in pharmaceutical prices to drug stores.

If anything, drug prices to retailers may be rising even faster now as manufacturers maneuver to offset forced price cuts to Medicaid.

Pryor's latest solution involves more cost-containment tinkering. This time he wants to blackjack manufacturers into holding the line on prices by eliminating the Section 936 (Puerto Rican) tax credit for companies who raise drug prices faster than the overall CPI.

Additionally, Pryor's bill would create a new federal bureaucracy—the "Prescription Drug Policy Review Commission"—whose sole job would be to come up with new ways to tweek the pharmaceutical industry (e.g. compulsory licensing or reduced patent protection for manufacturers who charge "too much" for pharmaceuticals).

Not surprisingly, the Pharmaceutical Manufacturers Association has denounced Pryor's plan as "another short-sighted health care cost containment measure" that could backfire by discouraging research and development of new drugs able to significantly reduce the nation's health costs.

In contrast, the Bush Administration's plan seeks to lower the cost of prescription drugs by making the process for approving new prescription products more efficient.

By streamlining the Food and Drug Administration's lead-footed pre-market reviews of New Drug Applications, the President's Council on Competitiveness hopes to significantly reduce the current 12-year process for clearing pharmaceuticals for safety and effectiveness.

If important new drugs can be brought to market six months or a year faster, manufacturers will have substantially more time to recoup their enormous ($231 million per drug) R&D investment, and the price of new pharmaceuticals should be measurably lower.

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Where drug store consumers shop most, by region

West

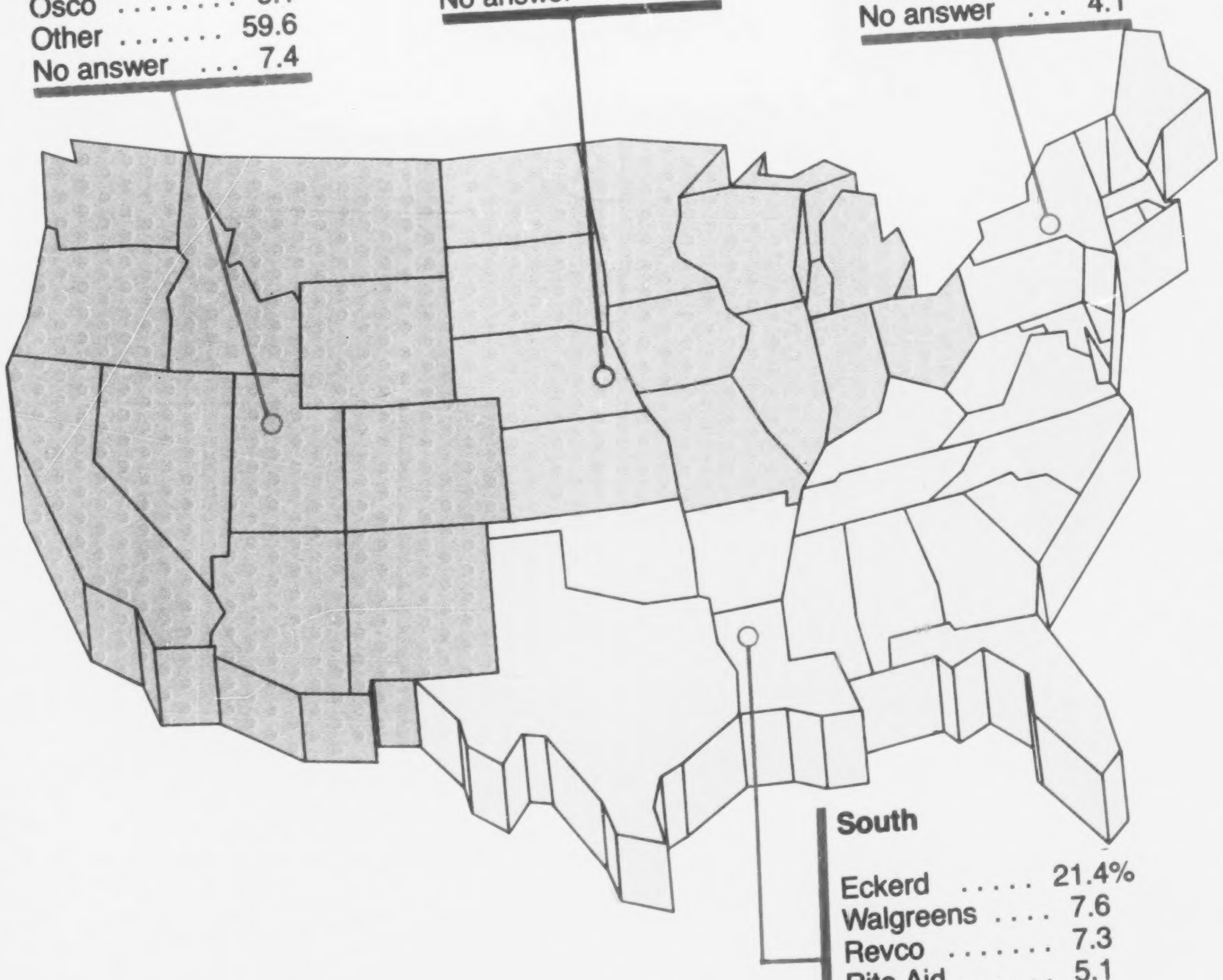
Longs	9.2%
Walgreens	8.0
Sav-on	8.0
Thrifty	7.4
Pay Less	7.4
Smith's	6.1
Osco	6.1
Other	59.6
No answer	7.4

Midwest

Walgreens	16.0%
Osco	10.0
Hooks	4.8
Rite Aid	4.4
Perry	3.2
Other	44.4
No answer	6.0

Northeast

CVS	16.9%
Rite Aid	12.3
Thrift	6.4
Walgreens	5.0
Brooks	3.7
Fay's	3.7
Other	37.3
No answer	4.1



South

Eckerd	21.4%
Walgreens	7.6
Revco	7.3
Rite Aid	5.1
Wal-Mart	4.9
Other	52.3
No answer	6.0

Drug Stores Shopped Most by Consumers

(1,000 primary household shoppers were asked which drug store they shop most often).

Chain	% of respondents	Chain	% of respondents
Walgreens	9.1	Smith's	1.3
Eckerd	7.4	Hook	1.2
Rite Aid	5.4	Kmart	1.1
Osco	3.9	Brooks	0.9
CVS	3.6	Fay's	0.9
Thrifty	3.2	SupeRx	0.8
Revco	3.2	Perry	0.8
Wal-Mart	2.5	Snyder's	0.7
Phar Mor	2.0	Pathmark	0.6
Drug Emporium	2.0	Genovese	0.7
Longs	1.9	Medicine Shoppe	0.6
Peoples	1.9	Rexall	0.6
Sav-on	1.8	Other	34.8
Pay Less	1.5	Not answering	5.9

Source: Leo J. Shapiro and Associates.

Top brands dominate even in tough times

Continued from page 1

is a secondary concern to many of today's convenience-minded shoppers, who have less time to follow ads and shop around.

Brand preferences run heavily through all of the 32 categories surveyed for *Drug Store News* by Leo J. Shapiro & Associates, Chicago. They range from a high of 98.3 percent for film and aspirin/non-aspirin pain relievers, to 86.7 percent (the low reading) for suntan lotion/sun block.

Other categories in which consumers are the most brand-conscious are body powder (97.9 percent have a preferred brand), facial astringent (97.5 percent), women's cologne (96.9 percent), blush (96.5 percent) and cough/cold and makeup foundation (both 96.3 percent).

Consumers act on their perceptions of brand quality and inherent value.

While brands in total capture a majority share of consumers' attention, certain mega-brands draw shoppers like filings to magnets.

Kodak for the second year showed the highest brand loyalty. Also returning to the top 10 are Duracell and Eveready, Gillette (both razors and blades), Tylenol and L'eggs.

Indeed, brand rankings within categories stayed remarkably stable, with rank shifts of more than one placement a rarity. Generic and private label items scored consistently low or not at all.

There were some notable exceptions to the trend of brand preference stability. A.H. Robin's Robitussin jumped to the No. 1 spot with a comfortable five point lead in cough/cold (19 to 14 percent), outdistancing Vicks, which tied it last year. Nyquil, another Richardson Vick's brand, held third place.

In batteries, Duracell added six points from last year to reach a 38 percent level of mention as a preferred brand. Eveready and Energizer combined for a 36 percent rating.

In the highly fragmented hair care business, Helene Curtis' Finesse vaulted from the No. 9 position last year to the No. 2 spot in this study, preferred by 4 percent of respondents. It trails Helene Curtis's Suave, a price brand which picked up 9 percentage points itself.

In women's cologne, Estée Lauder gets a whiff of first place with 7 percent level of mentions as a preferred brand, and unseats Avon, at 6 percent.

The switching may indicate that consumers feel they can buy comfortably from an acceptable group of brands within certain categories. Some examples: batteries, where 86 percent facing an out-of-stock say they would substitute; nail polish, 82 percent; shampoo, 73 percent, down to the bottom of the range in makeup, 48 percent; contact lens solution, 47 percent; and hair color, 43 percent.

Significant shifts in outlet preferences didn't surface in this study. Drug chains retained the lead often in such categories as cosmetics, by emphasizing the mass market brands women prefer and by merchandising them effectively in the store.

In nail polish, for example, most women bought a mass market brand such as Cover Girl and Maybelline in the last year (with the exception of Avon, the direct sale brand that came in second). More bought nail polish in a drug store than any other outlet, 37 percent. Only 25 percent purchased in discount stores, and 8 percent in food stores.

Consumers name their favorite brands

(Shoppers were asked which brand they would buy in each category)

Deodorant
Secret
Mennen
Ban

Shampoo
Suave
Pert
Head & Shoulders

Conditioner
Suave
Finesse
Nexxus, White Rain (tie)

Hand or Body Lotion
Vaseline Intensive Care
Jergens
Avon

Facial Moisturizer
Oil of Olay
Avon, Ponds (tie)
Mary Kay

Facial Astringent
Sea Breeze
Clinique, Mary Kay (tie)
Avon, Noxzema (tie)

Suntan lotion or sun block
Coppertone
Hawaiian Tropic
Johnson & Johnson, Bain De Soléil (tie)

Aspirin or non-aspirin pain reliever
Tylenol
Bayer
Advil

Cold or cough medicine
Robitussin
Vicks
Nyquil

Contact lens solution
Bausch & Lomb
Boston
Alcon, Allergan, Barnes & Hind, A-O-Sept (tie)

Laxatives
Ex-Lax
Correctol
Milk of Magnesia, Metamucil (tie)

Batteries
Duracell
Eveready
Energizer

Film
Kodak
Fuji
Polaroid

Razors*
Gillette
Schick
Bic

Razor blades*
Gillette
Schick
Atra

Shaving cream or shaving gel*
Gillette
Edge
Barbasol

Hair spray*
Aqua Net
White Rain
Consort

Men's cologne*
Old Spice
Brut
Obsession, Polo, Jovan Musk, Mennen (tie)

Women's cologne**
Esteé Lauder
Avon
Obsession, Jovan Musk, Gloria Vanderbilt (tie)

Hair spray**
Aqua Net, Rave (tie)
White Rain
Suave

Hair Color**
Clairol
L'Oréal
Nice & Easy

Panty Hose**
L'eggs
No Nonsense, Hanes (tie)
Just My Size

Lipstick or lip gloss**
Avon
Revlon
Cover Girl

Eye shadow or eye liner**
Maybelline
Cover Girl
Avon

Nail polish**
Revlon
Avon
Cover Girl

Foundation**
Cover Girl
Avon, Clinique (tie)
Mary Kay, Maybelline (tie)

Mascara**
Maybelline
Cover Girl
Avon

Pressed powder**
Cover Girl
Avon
Clinique

Blush**
Cover Girl
Avon
Clinique

Facial cleanser**
Noxzema
Mary Kay, Ponds (tie)
Avon, Clinique (tie)

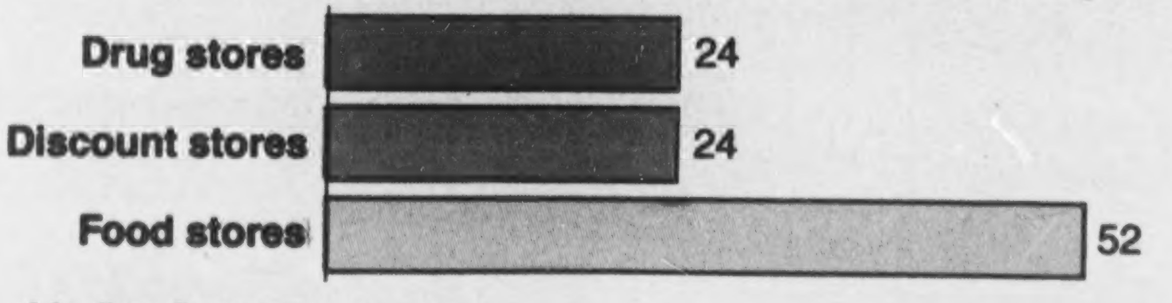
Body Powder**
Johnson & Johnson
Shower to Shower
Avon

Personal care soap**
Dove
Ivory
Dial

** asked of men only*
*** asked of women only*

Source: Leo J. Shapiro and Associates.

How many times a year do consumers shop?



Median figures.

Source: Leo J. Shapiro and Associates.

Mass market brands vital for drug stores

Nail polish and mascara are the two strongest color cosmetic categories for drug store operators, and this may, in part, be due to the fact that most women tend to purchase mass market brands when they buy these categories.

They may also buy more nail polish in drug stores because drug stores have the widest shade assortment and usually merchandise nail color up front in high traffic aisles.

According to a consumer survey of brand preferences and purchasing behavior commissioned by *Drug Store News* and implemented by Leo J. Shapiro & Associates, 37 percent of all women who have bought nail polish within the past year did so most recently in a drug store, while 30 percent of women who have purchased mascara in the past year did so last in a drug store.

> *Brand preferences have a real impact on where women buy their products.*

According to the Shapiro study, 30 percent of women who bought polish in the past year shopped department or specialty stores for their most recent purchases or they bought from a door-to-door salesperson. Another 25 percent made their most recent purchase in a discount department store. Just 8 percent bought polish last in a food store.

Clearly, the visibility of the category makes it a high impulse purchase department for drug stores and shade assortments are important. But, in cosmetics and fragrances, brand preferences have a decided impact on where women actually buy their products.

In a category like nail polish, most women most recently bought a mass market brand within the past year. The one exception was Avon, which ranked second in overall popularity within the nail polish category.

Out of the eight highest

Continued on page 16

Consumer Preferences by Region: Lipstick/Lip Gloss

	Total	North-east	Mid-west	South	West
Revlon	16%	25%	14%	14%	12%
Avon	16	14	15	18	13
Cover Girl	8	5	8	11	7
Clinique	6	9	6	5	6
Maybelline	5	6	5	4	7
Mary Kay	5	1	9	6	4
Estée Lauder	5	2	8	3	7
L'Oreal	3	4	1	5	1

*Based on women who bought lipsticks or lip gloss in the past 12 months.

Source: Leo J. Shapiro and Associates

Consumer Preference by Region: Foundations

	Total	North-east	Mid-west	South	West
Cover Girl	20%	22%	21%	16%	24%
Clinique	9	10	9	9	9
Avon	9	10	9	7	9
Maybelline	8	5	4	10	15
Mary Kay	8	4	9	11	6
Estée Lauder	5	3	6	7	2
Revlon	4	6	2	3	6
Merle Norman	3	0	6	4	2
Almay	3	4	3	4	2

*Based on women who bought foundations in the past 12 months.

Source: Leo J. Shapiro and Associates

No brands clearly dominant in fragrance category

Continued from page 14

ranked nail polish brands in popularity, seven were mass brands with Revlon ranking No. 1 and Cover Girl No. 3.

But in a fragmented category such as women's cologne, there was no mass brand strong enough to show a dominant share. Only three mass brands made it into our most popular ranking.

Four percent of the women who had made a cologne purchase in the past year named Jovan Musk as their most recent purchase; just 3 percent reported they most recently purchased two other mass brands, Lady Stetson and Vanderbilt respectively.

In comparison, 11 percent of women who had made a purchase most recently bought Avon, 7 percent bought Estée Lauder and 3 percent bought Liz Claiborne or Obsession.

The popularity of department or specialty brands even had a major impact in a category like foundations. Even though many women—20 percent—most recently bought a Cover Girl foundation in the past year, such mass brands as Maybelline, Revlon and Almay had to fight stiff competition from department and specialty brands like Clinique, Avon, Mary Kay, Estée Lauder and Merle Norman.

> *In the last year, 25% of all eyeshadow and eye liner and 27% of all lipstick/lip gloss purchases were made most recently in drug stores.*

It's hard for a drug store to control a category when some of the most preferred brands aren't available to this trade class. Only 19 percent of the women who had bought a foundation in the past year purchased it last in a drug store.

Other findings: 27 percent of all lipstick/lip gloss purchases made within the last year were made most recently in a drug store. The two most frequently purchased brands were Revlon and Avon.

Cover Girl and Maybelline were frequently purchased, but both brands are in very wide distribution. In addition to drug stores, women can easily buy them in discount department stores and food stores.

Clinique, Mary Kay and Estée Lauder lipsticks were also frequently purchased, and they're also not available in many drug stores.

Of all eyeshadow and eye liner purchases last year, 25 percent were made most recently in drug stores. And again, the two most frequently purchased brands, Cover Girl and Maybelline, are in many trade class outlets, and the third most popular brand, Avon, is not sold in retail stores but through mail or door-to-door.

In all the cosmetic categories, women reported having very high brand preferences. It's clear that drug store operators and mass market brand manufacturers need to persuade more women that mass brands are as high in quality as department and specialty store brands—and are a much better value.

Purchasing Trends in Nail Polish

	1990	1991
% of women who have ever used nail polish	60%	59%
% of users who have purchased in the past 12 months	74	74
Last purchased in drug store*	33	37
Purchased on special*	39	37
Have a brand preference*	86	88
Bought preferred brand*	85	87

*Based on women who bought polish in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preference: Nail Polish

	Total	North-east	Mid-west	South	West
Revlon	18%	23%	17%	16%	16%
Avon	13	17	13	13	7
Cover Girl	10	6	12	12	7
Sally Hansen	8	8	7	10	5
L'Oréal	8	10	3	6	14
Maybelline	7	4	8	6	9
Cutex	5	3	2	8	3
Wet 'N Wild	4	4	4	6	0

*Based on women who bought nail polish in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Eyeshadow/Eye Liner

	Total	North-east	Mid-west	South	West
Maybelline	20%	24%	14%	24%	17%
Cover Girl	14	9	19	17	8
Avon	11	13	11	8	13
Revlon	7	11	3	8	6
Mary Kay	7	0	9	8	9
Clinique	7	5	11	5	6
Estée Lauder	5	3	7	2	8

*Based on women who bought eye shadow or eye liners in the past 12 months.

Source: Leo J. Shapiro and Associates

Consumer Preferences by Region: Women's Cologne

	Total	North-east	Mid-west	South	West
Avon	11%	9%	19%	10%	4%
Estée Lauder	7	9	7	7	6
Jovan Musk	4	8	3	2	2
Liz Claiborne	3	4	4	2	2
Lady Stetson	3	0	5	5	0
Vanderbilt	3	2	0	3	7
Obsession	3	2	3	3	2

*Based on women who bought cologne in the past 12 months.

Source: Leo J. Shapiro and Associates

Consumer Preferences by Region: Mascara

	Total	North-east	Mid-west	South	West
Maybelline	28%	28%	20%	31%	32%
Cover Girl	14	13	20	14	9
Avon	9	10	7	10	6
Revlon	6	8	4	5	7
Clinique	5	2	8	6	3
Mary Kay	5	1	9	5	3
Estée Lauder	4	2	5	3	4
L'Oréal	4	2	2	7	2
Almay	3	7	5	2	0
Max Factor	3	2	2	3	3

*Based on women who bought mascara in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Men's Cologne

	Total	North-east	Mid-west	South	West
Old Spice	10%	17%	14%	7%	5%
Brut	9	0	4	16	10
Drakkar	8	8	7	7	10
Obsession	6	4	7	9	0
Mennen	5	8	0	5	10
Jovan Musk	5	0	4	5	10
Polo	4	8	4	2	5
Avon	4	4	11	2	0
Stetson	3	0	7	5	0

*Based on men who bought cologne in the past 12 months.

Source: Leo J. Shapiro and Associates.

Purchasing Trends in Lipsticks/Lip Glosses

	1990	1991
Lip cosmetics	75%	78%
% of users who have purchased in the past 12 months	82	79
Last purchased in drug store*	26	27
Purchased on special*	36	27
Have a brand preference*	92	91
Bought preferred brand*	88	89

* Based on women who bought a lipstick/lip gloss in the past 12 months

Source: Leo J. Shapiro and Associates.

Photo dept. has sharp focus on big profits, promotions

The photo processing department is one of the most profitable areas in today's drug store. It's also an effective traffic generator, and one of the most desirable departments to use in promoting and marketing a drug store.

Moreover, 88 percent of all consumers use film. Nine out of 10 of these users have made a purchase within the past 12 months, so film is a very active category—adding to the department's visibility and strength.

It isn't brand-fragmented either, so retailers can comfortably concentrate their advertising and promotions around the three most popular brands: Kodak, Fuji and Polaroid.

The top film manufacturers spend a considerable amount of money each year supporting their respective brands. In recent years, there has been a decided trend toward generating promotions that drive consumers into stores.

Film users are deeply brand loyal: 98 percent of consumers who had bought film in the past year said they had a favorite brand, and 90 percent said they bought that preferred brand the last time they bought film.

The drug store's main competitor for film users' business is discount department stores. The Shapiro study found that 37 percent of the people who had bought film in the past year got it last in a discount department store. Drug stores were the second most frequently shopped trade class, attracting 30 percent of the past year's film purchasers. Food stores captured 20 percent of the most recent purchases.

Price and convenience apparently determine where most people shop for film. Drug stores have the edge with convenience, but to lure business away from the discount department stores, they may have to become more aggressive on price.

An attractive feature price on a popular brand could not only draw more traffic into the stores, it could also enhance the drug store industry's overall share of film sales.

Purchasing Trends in Film

	1990	1991
% of consumers who have ever used film products	85%	88%
% of users who have purchased in the past 12 months	86	85
Last purchased in drug store*	32	30
Purchased on special*	37	33
Have a brand preference*	98	98
Bought preferred brand*	90	90

*Based on consumers who bought film in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Film

Last brand purchased*	Total	North-east	Mid-west	South	West
Kodak	80%	79%	82%	81%	78%
Fuji	7	6	7	4	11
Polaroid	5	5	6	7	2

*Based on consumers who bought film in the past 12 months

Source: Leo J. Shapiro and Associates.

Drug stores edge out competition in cough-cold and pain remedies

Perhaps because drug stores spend so much of their advertising and promotion budget on prescriptions and remedial products, consumers are more likely to buy remedial products like aspirin and cough/cold medicines in drug stores more than any other trade class.

According to this year's Consumer Brands Preference Study, 55 percent of all cough/ cold users purchased their last formula in a drug store, and 40 percent of all aspirin or non-aspirin pain killer users made their most recent purchase in a drug store.

Food stores are still able to capture a significant share of cough/cold and aspirin/pain reliever sales, and discount stores are also a popular source of supply for these products. However, drug stores are still the dominant purchase outlet.

Indeed, 31 percent of all aspirin/pain killer users who had bought some medication in the past year made their last purchase in a food store, while another 23 percent shopped discount department stores.

And 26 percent of all cough/ cold users who had bought some medication in the past year made their most recent purchase in a food store, while another 15 percent shopped discount department stores.

Heavy favorites

Tylenol is still one of the most heavily advertised brands in the pain killer category, and the result is that it is predictably the brand of choice in today's market: 39 percent of all users who bought a pain killer in the past 12 months most recently bought Tylenol. Bayer and Advil were tied for second place in popularity.

In the cough/cold category, Robitussin dominates, with Nyquil and Vicks tied for second place.

Consumer Preferences by Region: Cough/Cold

Last brand purchased*	Total	North-east	Mid-west	South	West
Robitussin	24%	35%	24%	22%	17%
Nyquil	14	12	15	10	22
Vicks	14	12	16	16	9
Triaminic	6	6	5	6	4
Tylenol	5	6	2	7	4
Dimetapp	5	6	4	6	4
Alka Seltzer	5	3	6	5	5
Contac	3	1	2	2	9
Sudafed	2	2	4	1	3
Benadryl	2	1	3	2	1
Comtrex	1	2	1	1	0

*Based on consumers who bought cough/cold products in the past 12 months

Source: Leo J. Shapiro and Associates.

Purchasing Trends in Cough/Cold

	1990	1991
% of consumers who have ever used cough/cold products	73%	77%
% of users who have purchased in the past 12 months	82	73
Last purchased in drug store*	50	55
Purchased on special*	26	22
Have a brand preference*	96	96
Bought preferred brand*	91	85

*Based on consumers who bought cough/cold products in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Aspirin/Non-Aspirin Pain Killers

Last brand purchased*	Total	North-east	Mid-west	South	West
Tylenol	39%	41%	38%	42%	33%
Bayer	12	12	10	11	19
Advil	12	12	11	10	17
Generic	5	4	6	4	9
Excedrin	3	2	4	4	1
Anacin	2	4	2	2	2
Nuprin	2	2	3	1	3
Bufferin	2	3	2	2	2

*Based on consumers who bought aspirin or a non-aspirin pain killer in the past 12 months

Source: Leo J. Shapiro and Associates.

Sun care rises at drug stores, while skin care sales need a lift

Although skin and sun care are important core categories for chain drug stores, the Shapiro study has some disturbing implications.

Because of the proliferation of reasonably priced direct-door brands like Avon and Mary Kay, drug stores aren't getting as strong a share of overall skin care sales as they once commanded.

It appears that drug stores are also losing sales to food stores and mass merchandisers, which, in recent years, have been expanding their skin care/sun care sets. Today they sell plenty of popular mass brands as Olay, Vaseline Intensive Care, Pond's, Jergens and Lubriderm.

The result is that in all skin care categories except sun care, drug stores are getting an ever-shrinking slice of this category's sales pie.

For example, only 22 percent of those consumers who purchased a facial moisturizer in the past 12 months actually made their last purchase in a drug store, while only 20 percent of those who purchased a facial astringent in the past 12 months actually bought it last in a drug store.

Similar purchasing trends existed for hand and body lotions and facial cleansers. Only 27 percent of those who purchased a hand and body lotion in the past 12 months bought it most recently in a drug store, and only 23 percent of those who purchased a facial cleanser in the past 12 months bought it last in a drug store.

The one skin care category where drug stores continue to exhibit leadership is sun care: 37 percent of those who purchased a suntan lotion or sun block in the past 12 months did so last in a drug store. And it is almost certainly due to consumers' confusion about benefit claims made by suppliers, and their desire to get advice from a pharmacist or a cosmetician about which formula or SPF is best for them.

But in the commodities categories of skin care like hand and body lotions or personal care soaps, this isn't the case.

Fifty-four percent of all consumers who bought a hand or body lotion in the past 12 months did so in either a food store or discount department store, compared to the 27 percent who bought most recently in a drug store.

Fifty-eight percent of all consumers who bought a personal care soap in the past 12 months did so in a food store; 23 percent did so in a discount department store, and just 11 percent did so in a drug store.

Convenience a plus

It appears consumers are responding to the convenience of one-stop shopping, lower prices, or both when purchasing these categories.

In facial moisturizers or astringents, categories where women still can use assistance sometimes, women are often opting for door-to-door brands like Mary Kay and Avon or for department store brands like Clinique.

Olay and Pond's are definitely two of the most popular facial moisturizer brands in mass market stores, but Avon and Mary Kay, although they don't receive the same massive advertising support as Olay and Pond's, rank in the top five most popular brands. They outranked a number of mass brands and even well-known department store lines like Clinique (trails Avon and is in a neck-and-neck race with Mary Kay), Estee Lauder, Elizabeth Arden, and others.

The findings suggest that women are exhibiting a preference for good quality skin care lines at affordable prices, hence the popularity of brands like Olay, Pond's, Avon and Mary Kay.

They also suggest that women like shopping for skin care items such as moisturizers in comfortable, attractive settings, and they like personalized service, hence the very strong showing turned in by the direct market brands, Avon and Mary Kay.

Consumer Preferences by Region: Facial Moisturizers

	Total	North-east	Mid-west	South	West
Oil Of Olay	14%	22%	13%	10%	14%
Avon	9	11	12	7	7
Pond's	8	13	6	9	4
Clinique	6	7	5	5	10
Mary Kay	6	3	6	7	10
Noxzema	6	4	4	10	3
Esteé Lauder	4	1	9	4	4
Neutrogena	2	3	3	2	3

*Based on consumers who bought facial moisturizers in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preference by Region: Sun Care

	Total	North-east	Mid-west	South	West
Coppertone	22%	26%	26%	21%	17%
Hawaiian Tropic	7	7	9	5	6
Johnson & Johnson	5	6	5	6	0
Bain de Soléil	5	8	3	3	8
Banana Boat	5	2	2	9	4
Avon	4	0	6	5	4

*Based on consumers who bought sun lotion or sun block in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Facial Cleansers

	Total	North-east	Mid-west	South	West
Noxzema	13%	20%	10%	11%	14%
Mary Kay	9	3	12	11	10
Pond's	8	9	9	7	8
Avon	7	7	9	4	12
Clinique	6	7	10	4	4
Sea Breeze	4	4	2	5	2
Oil of Olay	3	3	3	4	2

*Based on women who bought facial cleansers in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Facial Astringents

	Total	North-east	Mid-west	South	West
Sea Breeze	13%	9%	13%	20%	8%
Clinique	11	13	15	8	8
Mary Kay	9	2	11	11	11
Avon	7	13	9	2	8
Noxzema	7	11	2	5	11
Estée Lauder	5	2	11	2	5
Neutrogena	3	2	2	2	5

*Based on consumers who bought facial astringents in the past 12 months.
Source: Leo J. Shapiro and Associates.

The skin care category where drug stores continue to exhibit leadership is sun care.

Consumer Preferences by Region: Hand or Body Lotions

	Total	North-east	Mid-west	South	West
Vaseline Intensive Care	25%	24%	19%	28%	28%
Jergens	12	10	14	13	12
Avon	6	5	9	7	3
Lubriderm	5	7	3	3	8
Suave	4	3	5	4	3

*Based on consumers who bought hand and body lotions in the past 12 months.
Source: Leo J. Shapiro and Associates.

Drug stores give hair care its share of color and style

With few exceptions like hair color and, to a lesser degree, hair styling products, the hair care category has become a commodity category. With so many different trade classes stocking and promoting hair care, consumers have learned to shop where and when it is most convenient for them.

Often they cherrypick stores, looking for the best sales price they can find on the leading brands.

Since hair care has evolved into a commodity category, it isn't surprising that Leo J. Shapiro & Associates found that consumers only infrequently shop drug stores for their basic hair care needs.

For example, only 21 percent of consumers who bought shampoo in the past year bought it most recently from a drug store. Only 20 percent of the consumers who bought conditioner in the last year bought it most recently from a drug store. Just 25 percent of women and 27 percent of men who bought a hair spray in the past year made their last purchase from drug stores.

The only hair care category that clearly remains a drug store specialty is hair color: 34 percent of all the women who bought a hair color product in the past 12 months bought it most recently in a drug store.

Drug stores, of course, have a merchandising advantage in this category. They carry more shade ranges than most other trade classes, and they often have someone in the cosmetics department who can help consumers.

But consumers don't need any special help in choosing products like shampoos, conditioners or sprays. There are certain well-advertised, reasonably-priced brands like Suave, Pert, Pert Plus, White Rain and Finesse that have a relatively large base of loyal brand users, and these are brands that consumers can buy anywhere from a local "Mom and Pop" fill-in corner grocery to the largest super food store.

Some salon brands have also amassed a strong following, especially Nexxus and Paul Mitchell, and these are often only available from hair salons or specialty stores.

Of course, the presence of these brands lessens the demand for mass market brands, and that inevitably has a negative impact on drug stores' share of hair care sales.

Many drug stores have learned to turn this problem into an opportunity, by creating their own professional or prestige hair care department. But it is still hard for drug chains to obtain many salon lines, including Nexxus and Paul Mitchell.

Today, the Paul Mitchell brand has even built up a following with the men's hair care user. Value brands like Aqua Net and White Rain are still very popular with men. But in terms of overall purchases last year, Paul Mitchell ran neck and neck with Clairol hair sprays and Rave hair spray.

One of the strengths of the specialty brands is their innovation. Consumers think of brands like Nexxus and Paul Mitchell as being on the cutting edge of new technology.

Drug store operators might beef up the appeal of hair care departments by identifying and promoting innovative mass brands as they emerge. Pert Plus, Salon Selectives, Colorvive and Frizz-Ease are examples of mass brands that rocketed to popularity because of uniqueness in formulas, packaging or marketing.

The hair care category that clearly remains a drug store specialty is hair color.

Thirty-four percent of all the women who bought a hair color product in the past 12 months bought it most recently in a drug store.

Consumer Preferences by Region: Conditioners

	Total	North-east	Mid-west	South	West
Suave	14%	13%	17%	13%	11%
Finesse	6	7	7	6	5
White Rain	5	6	4	9	0
Salon Selectives	4	3	5	4	5
Nexxus	4	2	4	1	8
Flex	4	4	1	5	4
Vidal Sassoon	3	6	1	2	4
Vo5	3	4	2	5	1
Ivory	3	3	4	3	1
Pert/Pert Plus	3	2	1	4	3
Paul Mitchell	2	2	4	1	4
Perma Soft	2	2	3	2	1

*Based on consumers who bought conditioners in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Women's Hair Spray

	Total	North-east	Mid-west	South	West
Aqua Net	11%	15%	8%	10%	12%
Rave	10	9	12	10	6
White Rain	9	3	12	12	5
Suave	7	12	7	5	8
Paul Mitchell	5	2	8	5	5
Salon Selectives	5	3	4	4	8
Final Net	4	3	2	6	3
Clairol	3	3	2	3	5
Style	3	2	3	2	6
Finesse	3	9	3	2	0
Aussie	3	1	3	4	0
Vo5	2	2	2	3	3

*Based on women who bought hair spray in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Women's Hair Color

	Total	North-east	Mid-west	South	West
Clairol	54%	51%	56%	55%	50%
L'Oréal	22	21	22	19	27
Dark & Lovely	3	3	0	7	0
Revlon	1	0	3	0	5

*Based on women who bought hair color in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Shampoo

	Total	North-east	Mid-west	South	West
Suave	12%	10%	13%	14%	10%
Pert/Pert Plus	9	11	6	9	10
Head & Shoulders	7	7	5	8	8
White Rain	5	5	4	8	1
Finesse	5	7	3	5	4
Prell	5	9	6	3	1
Ivory	4	5	3	4	2
Salon Selectives	3	3	5	3	2
Nexxus	3	2	5	0	7
Vidal Sassoon	3	3	2	3	5
Paul Mitchell	2	1	4	1	4

*Based on consumers who bought shampoo in the past 12 months

Source: Leo J. Shapiro and Associates.

1991 Nielsen Annual Review of Retail Drug Store Trends

U.S. Retail Sales By Trade Class (billions)

	Years						First six months	
	1988 sales	% chng	1989 sales	% chng	1990 sales	% chng	1991 lst six months sales	% chng
Drug and Proprietary	$ 57	6%	$ 63	9%	$ 69	10%	$ 36	11%
Food stores	327	6	345	6	362	5	182	3
Auto dealers	372	8	384	3	382	(0.4)	187	(5)
General merchandise stores	192	5.	204	7	212	4	94	2
Eating & drinking	166	8	174	5	182	5	92	4
Gasoline stations	108	3	118	9	132	12	63	5
Hardware & lumber	91	9	93	2	93	0	45	(2)
Clothing	85	7	91	8	95	4	42	1
Furniture & appliances	85	9	92	7	93	2	42	(5)
All others	169	9	179	6	188	5	88	0
Total U.S. retail sales	$1,651	7	$1,742	6	$1,807	4	$871	1

Years ending Dec. 31

Source: U.S. Dept of Commerce, Bureau of the Census.

Retail Sales Trends

		Year				First six months	
	1986	1987	1988	1989	1990	1990	1991
Total retail sales (billions)	$1,450	$1,542	$1,651	$1,742	$1,807	$866	$871
% change vs. year ago	5%	6%	7%	6%	4%	5%	1%

Years ending Dec. 31

Source: U.S. Department of Commerce, Bureau of the Census.

Consumer Price Index*

	Years						First six months			
	1986	% chng	1988	% chng	1989	% chng	1990	% chng	1991	% chng
Total all items	110	2%	118	4%	124	5%	131	5%	135	5%
Food-at-home	107	3	117	4	124	7	132	7	137	4
Food-away-from-home	113	4	122	4	127	5	133	5	137	4
Medical care	122	8	139	7	149	8	163	9	174	9
Prescription drugs	**130**	**9**	**152**	**8**	**165**	**9**	**182**	**10**	**195**	**10**
Over-the-counter drugs	**118**	**5**	**131**	**6**	**139**	**6**	**146**	**5**	**151**	**5**
Physicians services	121	7	140	7	150	7	161	7	168	7
Dental services	121	6	138	7	146	6	156	7	164	7
Hospital room	122	6	143	9	158	11	177	12	192	12
Personal care	**112**	**3**	**119**	**4**	**125**	**5**	**130**	**4**	**134**	**4**
Housing	111	3	118	4	123	4	129	5	133	5
Fuel oil & other utilities	104	(2)	104	1	108	3	112	4	114	4
Apparel & upkeep	106	1	115	4	119	3	124	5	128	4
Transportation	102	(4)	109	3	114	5	121	6	123	5
Entertainment	112	3	120	4	127	5	132	5	137	5

Years ending Dec. 31
All Urban Consumers, Annual Average. Base 1982-1984 equals 100.

Source: Department of Labor, Bureau of Labor Statistics.

THE ECONOMIC ENVIRONMENT

part I

Retail sales trends

The American public is struggling through a tough year. The recession is clearly making life hard for consumers and retailers, and as a consequence, most Americans are eager for 1991 to end, and hopeful that 1992 will signal the birth of better times.

According to the U.S. Dept. of Commerce, U.S. retail sales, for the first half of 1991, were virtually flat, rising just 1 percent to $871 billion versus the comparable period in 1990.

Though drug stores, as a group, were able to generate much stronger growth than other trade classes in the first half of the year, their performance was almost wholly attributable to inflation which drove up the cost of both prescription and OTC drugs.

According to the Commerce Department, drug stores got an 11 percent dollar sales increase for the first half of 1991, bringing them to $36 billion in retail sales for the period.

But driving that growth was a 10 percent increase in the cost of prescription drugs as well a 5 percent increase in the cost of OTC drugs.

Food stores, for the same period, eked out a slight 3 percent increase in retail sales while restaurants and drinking establishments managed just a 4 percent increase.

Their growth was also due to inflation. The Department of Commerce recorded a 4 percent increase in the costs of foods meant for home consumption as well as a 4 percent increase for foods consumed away from home.

The first half was particularly hard for high ticket, durable goods retailers such as auto dealers and furniture and appliance stores. Auto dealership sales and furniture/appliance sales were both down 5 percent for the first half.

In June of 1990, the unemployment rate was at 5.3 percent, reflecting the fact that some 6.7 million Americans were out of work. At the end of June, 1991, the rate had escalated to 6.9 percent, accounting for approximately 8.8 million Americans out of work.

U.S. Retail Drug Store Sales (chains versus independents, in billions)

	Years Dollar Sales 1986	% chng	Dollar Sales 1990	% chng	First Six Months Dollar Sales 1991	% chng
Total drug stores $ sales	$50.3	7%	$67.6	8%	$35.7	8%
Chain drug store $ sales	30.2	7	43.4	9	22.8	8
Independent drug store $ sales	20.0	7	24.4	6	12.8	8
Large independents	11.6	18	17.9	12	9.7	13
Medium/small	8.4	(6)	6.5	(7)	3.1	(6)

Source: Nielsen Marketing Research.

Division of Drug Store Sales By Store Size and Ownership

	Years 1986	1987	1988	First Six Months 1989	1990	1991
Medium/small independents (sales under $500 million)	16.7%	14.5%	12.7%	11.1%	9.6%	8.7%
Large independents (Under $250 million)	23.2	24.3	25.1	25.5	26.4	27.3
Chains	60.2	61.1	62.2	63.4	64.0	64.1
Total dollar sales (billions)	$50.3	$53.5	$57.9	$62.9	$67.8	$35.7

Year ending Dec. 31

Source: Nielsen Marketing Research.

RETAIL DRUG STORE SALES

part II

Division Of Retail Drug Store Sales By Nielsen Retail Marketing Areas

Region	Drug store $ sales (billions)	% chng vs. year ago	1991 share of U.S. drug store sales
Total U.S.	$70.4	8%	100%
New England	4.3	11	6.1
Metro New York	4.1	13	5.8
Albany/Buffalo/Syracuse	2.3	11	3.2
Philadelphia	3.0	10	4.2
Baltimore/Washington	2.7	12	3.9
Pittsburgh	1.7	11	2.4
Cleveland	1.9	10	2.7
Detroit/Grand Rapids	2.9	8	4.2
Indianapolis/Cincinnati/Lexington	3.3	7	4.6
Metro Chicago	2.5	4	3.6
St. Louis/Peoria	1.3	3	1.9
Kansas City/Omaha/Iowa	2.2	8	3.1
Minneapolis/Wisconsin	2.4	7	3.5
Denver Mountains	1.0	(1)	1.4
Virginia/Carolinas	3.7	9	5.2
Florida/South Georgia	5.3	16	7.6
Georgia/Alabama	3.9	14	5.6
Delta States	2.6	(1)	3.8
Albuquerque/San Antonio/Oklahoma	2.0	7	2.8
Dallas/Houston	2.6	8	3.7
Southern California	5.8	3	8.2
Boise/Salt Lake/Phoenix	1.7	9	2.4
Northern California	4.9	2	7.0
Seattle/Portland	2.2	3	3.2

*Twelve months ending May/June, 1991

Source: Nielsen Marketing Research, Marketing Statistics.

Nielsen drug store growth projections are conservative

According to Nielsen Marketing Research, the Commerce Department may actually be optimistic in estimating an 11 percent increase in total drug store retail sales for the first half. Nielsen has a more conservative estimates that put the growth at 8 percent with dollar sales coming in at $35.7 billion.

Nielsen also records virtually flat growth in certain regions of the country. According to Nielsen, sales for drug stores in the Nielsen Los Angeles and Metro Chicago market regions were only up 3 and 4 percent respectively for the bimonthly period ending May/June, 1991.

Drug stores in the southwest were only up 6 percent for the same period while stores in the remaining Pacific states were flat.

On the other hand, Nielsen estimates that dollar sales for drug stores in the New York region were up 16 percent and in New England, sales were up 14 percent.

The East Central and Southeast regions both generated a bimonthly May/June, 1991 sales increase of 12 percent.

For the first time since 1986, drug store chains did not outperform independents. Nielsen estimates that both chains and independents averaged an 8 percent dollar sales increase for the first half.

Large independents, generating annual sales of $500,000 a year or more, enjoyed much stronger growth than either drug chains or independents generating less that $500,000 average annual sales volumes. Sales for larger volume independents were up 13 percent to $9.7 billion for the first six months. Sales for medium and small volume independents, on the other hand, were down 6 percent to $3.1 billion.

Nielsen estimates that sales for drug chains rose 8 percent to $22.8 billion for the first half.

At mid-year, Nielsen estimates that drug chains accounted for 64 percent of all U.S. drug store sales, large independents accounted for 27 percent, and medium to smaller volume independents accounted for the remaining 9 percent.

Health and Beauty Aid Sales and Share Trends

	Dollar Sales (billions) 1986	1989	1990	1st 6 mos 1991	% chng 1986	1989	1990	1st 6 mos 1991	Share of sales 1986	1989	1990
Total HBA sales (billions)**	$26.4	$31.7	$32.9	$16.8	6%	6%	4%	3%	100%	100%	100%
Food stores	$11.7	$13.7	$13.9	$7.0	7	5	2	1	44	43	42
Drug stores	**$10.3**	**$12.2**	**$12.6**	**$6.3**	5	5	4	1	39	38	38
Mass merchandisers	$4.4	$5.9	$6.4	$3.5	6	12	8	9	17	19	19

*Based on the 66 categories in Nielsen's HBA Index.
** Sales through three mass market outlets.

Source: Nielsen Marketing Research.

HBA SALES TRENDS

part III

HBA sales soften in '91

Within the last twelve months, sales of HBA products have been softening, but they have shown the strongest growth in the mass merchandise trade class, while growth in the drug and food class trades has been consistently soft.

The remedial segment of the HBA category has been a stronger growth segment than toiletries. For the past five years, total sales for remedial products went up 7 percent per year, compared to 5 percent per year for toiletries.

For the past five years, Nielsen Market Research estimates that total HBA sales have been averaging a 6 percent annual increase.

HBA Sales Index

Taking 1985 as a base year and comparing it to 1990, Nielsen estimates that total HBA sales increased 32 percent for that five-year period, while remedials went up 41 percent and toiletries were up 28 percent.

By and large, the growth in HBA sales has been driven by product segments like skin care and external analgesics which have experienced dramatic surges of new product activity. For the past five years, for example, the external analgesic category has generated a 12 percent compounded annual increase.

In 1990, five year sales were up 78 percent versus 1985. Sales for the skin care category, in the past five years, managed an average 8 percent increase. Five-year sales for skin care were up 47 percent for 1990 versus 1985.

For 1990 and the first six months of 1991, HBA sales were especially soft. Nielsen reports that total sales for all 66 HBA segments measured were only up 4 percent in 1990, and for the first half of this year, Nielsen estimates they were only up 3 percent.

In 1990, Nielsen reports that remedial product sales rose 5 percent for the year, and they were up 4 percent at the end of the first half of 1990. Nielsen reports that so far, the remedial product segment is turning in the same performance for 1991, up 4 percent for the six months ended last June.

Toiletries, however, were only up 1 percent for the first half. For 1990 versus 1989, they were up 4 percent.

Even the "hottest" growth segments of toiletries are slowing down. For the first half of 1989, skin care sales were up 8 percent. For the first half of this year, they were only up 2 percent.

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HBA Sales And Price Trends—Drug vs. Food vs. Mass Merchandisers

(Percentage change vs. year ago)

	Dollar sales trends first six months 1990	1991	Unit sales trends* first six months 1990	1991	Price trends* first six months 1990	1991
All 3 outlets	4%	3%	1%	(1)%	3%	3%
All drug stores	4	1	1	(3)	3	4
Chain drug stores	8	3	4	(2)	4	4
Food stores	2	1	(2)	(2)	4	3
Mass merchandise stores	8	9	6	6	2	3

*Weighted by dollar importance of each category.

Source: Nielsen Marketing Research.

HBA Weighted Unit Sales Trends**

(Percentage change vs. year ago—first six months 1991)

	Total* stores	Drug stores	Chain drug stores	Food stores	Mass Merchandise stores
Total Nielsen HBA Index	(1)	(3)	(2)	(2)	6
Total toiletries	(2)	(5)	(3)	(4)	5
Men's products	(3)	(5)	(3)	(4)	2
Skin care	(1)	(4)	(3)	(4)	10
Hair care	(2)	(4)	(2)	(5)	6
Oral hygiene	(1)	(2)	(1)	(4)	5
Color cosmetics	(6)	(7)	(5)	(9)	2
Other toiletries	(2)	(5)	(3)	(3)	6
Total remedial	0	(3)	(1)	(1)	9
Cold/cough/ flu/sinus	0	(3)	(1)	0	8
Analgesics/ digestives	0	(3)	(1)	(2)	10
External remedies	0	(1)	1	0	4
Paper goods	1	2	4	(2)	8
Selected sundries	5	(3)	(2)	13	3

*Food, drug and mass merchandise stores
** Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

Drug store HBA and remedial product dollar sales growth is softening

Continued from page 46

The hot growth segments in remedials are also starting to soften. For the first half of 1989, sales of external analgesics were up 13 percent. But for the first half of this year, they were only up 4 percent.

At the same time that sales for the HBA category have been softening, sales of HBA products in the drug store trade class have also grown softer.

The sales increases that drug stores have been able to generate in many HBA category segments have failed to keep pace with the category's growth, and this has meant that, in many HBA categories, the drug store industry's share of sales has been shrinking.

At the same time, the mass merchandise chains like Kmart, Wal-Mart and Target have been, and still are, generating much stronger growth, and as a result, they are continuing to expand their share of total HBA sales. For the first half of 1991, for example, mass merchandisers enjoyed a 9 percent increase in total HBA dollar sales, while drug and food stores both squeaked by with a slim 1 percent increase. In 1986, mass merchandisers had a 17 percent share of all HBA sales. In 1990, they commanded a 19 percent share, Nielsen reports. The drug store share of HBA sales for the same period slipped one point to a 38 percent share in 1990.

Mass merchandisers have been steadily building up their franchise in the HBA category for a number of years now. From 1985 through 1990, they averaged a 9 percent annual growth rate in HBA sales while drug stores, in comparison, averaged a 5 percent annual percent increase.

Historically, chain drug stores have been better at building HBA sales than independent drug store operators.

For the past five years, drug chains have managed to sustain a 7 percent average annual increase in HBA sales.

For the first half of this year, HBA dollar sales in chain drug stores were up 3 percent while they were down 8 percent in independent drug stores. Last year, for the same six month period, however, chain drug stores turned in a much stronger performance. For the first half of 1990, HBA sales through chain drug stores were up 8 percent. For that same time period, they were down 8 percent in independent drug stores.

HBA price, unit sales trends

So far in 1991, unfortunately, price increases appear to have accounted for the growth in dollar sales in drug store HBA sales, even for chains.

HBA price increases were up 4 percent in chain and independent drug stores for the first half, Nielsen reports, while unit sales were down 2 percent for chains and down 3 percent for all drug stores. On the other hand, mass merchandisers only raised prices 3 percent on HBA for the first year, and their unit growth was up a hearty 6 percent.

Mass merchandisers are the only trade class to have real growth increases, minus price increases, for every product category segment Nielsen measured.

Except for the paper goods category, the drug store trade class experienced real declines for every segment tracked. Chain drug stores generated unit growth in only two segments, paper goods, up 4 percent, and ex-

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Compound Growth In HBA Dollar Sales By Trade Class

Five Year Average Annual Growth through 1990

	Total* stores 5 yr. growth index	5 yr. Avg. annual % chng	Drug stores index	% chng	Chain drug index	% chng	Food stores index	% chng	Mass merchandise index	% chng
Total Nielsen HBA Index	113	3%	108	2%	117	3%	108	2%	134	6%
Total toiletries	113	3	109	2	115	3	112	2	123	4
Men's products	106	1	102	0	107	1	107	1	111	2
Skin care	124	4	120	4	128	5	121	4	139	7
Hair care	114	3	109	2	115	3	111	2	124	4
Oral hygiene	115	3	116	3	122	4	109	2	130	5
Color Cosmetics	115	3	113	2	119	4	131	6	110	2
Other toiletries	107	1	98	0	104	1	112	2	120	4
Total remedial	115	3	108	2	122	4	112	2	146	8
Cold/cough/ flu/sinus	116	3	109	2	125	5	114	3	149	8
Analgesics/ digestives	106	1	102	0	112	2	104	1	127	5
External remedies	153	9	132	6	148	8	157	9	226	18
Paper goods	108	2	105	1	109	2	99	0	154	9
Selected sundries	122	4	114	3	121	4	102	0	163	10

*Food, drug and mass merchandise stores
Index 1990 vessus 1985 base year. Five year average annual percent change.

Source: Nielsen Marketing Research.

HBA sales growth is softening

Continued from page 49

ternal up 1 percent.

Food stores were down or flat in every segment except selected sundries which is comprised of batteries, pet flea collars and insect repellents.

Mass merchandisers have been able to do so well with toiletries and remedials because they generate the strongest dollar volume gains and maintain the lowest price increases. The HBA items they stock turn fast.

Each year, the drug stores' share of HBA category sales declined a few points for almost every segment. Mass merchandisers' share, on the other hand, continues to grow. This year, out of the 42 segments measured, drug stores lost share on 30. As share sales shrink, as unit sales go down and as dollar sales grow soft, drug stores also get fewer opportunities to exploit growth in hot categories.

Nielsen has a What's Hot chart it releases every year. Five or six years ago, there were always six to 12 HBA categories showing dollar sales increases of 15 percent or better in chain drug stores.

This year, for the first half, there was one "very hot" 15 percent plus category taking off in drug stores, and only two "very hot" segments livening the aisles in chain drug stores. But in the world of mass merchandisers, there were 10 "very hot" category segments, giving that trade class sales growth of 15 percent or better, plus nine more categories generating growth rates between 10 percent and 15 percent.

The clear implication is that drug stores, as a trade class, no longer have the edge when it comes to being the first retail outlet to introduce consumers to what's really new and hot in HBA products.

HBA Dollar Sales and Share Trends

(Drug chains vs. food chains vs. mass merchandisers)

HBA categories	1990* Drug	1991* Drug	1991* Food	1991* Mass
Early pregnancy tests	64.1%	63.8%	23.4%	12.8%
Color cosmetics	60.8	59.8	18.8	21.4
External analgesics	60.9	59.8	26.1	14.1
Ethnic hair preps	58.1	58.4	19.1	22.5
Aftershave lotions/colognes	58.3	58.4	17.2	24.4
Depilatories	59.2	58.0	23.6	18.4
Foot remedies	56.0	57.3	27.2	15.4
Topical hydrocortisones	58.3	57.1	28.0	14.9
Cough syrup	56.7	55.4	34.9	9.7
Face Creams/lotions	57.9	55.3	23.8	20.9
Laxatives	56.4	55.0	27.7	17.3
Vitamins	55.4	54.1	30.2	15.7
Hair color	52.2	51.5	19.0	29.5
Suntan lotions and oils	53.3	49.4	29.4	21.2
Throat lozonges	48.4	48.0	43.0	9.0
Home wave kits	47.1	45.2	17.8	37.0
Acne remedies	46.1	44.6	41.5	14.0
Soft contact lens solutions	45.2	43.6	29.4	27.0
Hand and body lotions	42.4	43.5	35.2	21.3
Diarrhea remedies	42.3	42.9	45.1	11.9
Cold remedies	42.8	41.8	44.4	13.8
Cough drops	40.6	40.5	49.1	10.4
Stomach remedies/antacids	41.1	39.8	43.4	16.9
Feminine douches	37.9	38.7	37.6	23.7
Sinus remedies	39.2	38.1	46.0	15.9
Hemorrhoid preps	38.6	36.4	17.2	46.4
Internal analgesics	36.3	35.8	48.1	16.1
After shampoos	35.7	35.1	41.2	23.7
Toothbrushes	34.8	33.9	45.6	20.5
Baby oil	30.2	31.0	41.3	27.7
Mousses	32.0	30.5	41.7	27.8
Blades and razors	29.4	29.6	47.5	22.9
Hair Fixatives	30.2	29.2	42.6	28.1
Mouthwash	28.9	29.1	48.9	22.0
Shaving cream	31.2	29.0	48.8	22.2
Shampoos	28.2	27.4	48.1	24.5
Batteries	29.1	27.1	38.8	34.1
Deodorants	27.9	26.8	48.0	25.1
Cotton swabs	24.5	25.6	51.5	22.9
Sanitary protection	25.0	25.0	56.5	18.4
Dentifrice	22.6	22.3	57.3	20.4
Disposable diapers	10.2	10.5	69.0	20.6
Total HBA	38.3	37.6	41.7	20.7

*First six months 1990 vs 1991

Source: Nielsen Marketing Research

HBA Sales—What's Hot in Chain Drug Stores

(For six months ending June 30, 1991 vs six months ending June 30, 1990)

HOTTEST
(Dollar sales increases greater than 15%)

- Foot remedies
- Cough Drops

HOTTER
(Dollar sales increases between 10% through 15%)

- Diaper rash creams
- Blades & razors
- Baby powder
- Early pregnancy test
- Sinus remedies
- Diarrhea remedies

HOT
(Dollar sales increases 5% through 10%)

- Cotton swabs
- Lip make up
- Insect repellents
- External analgesics
- Hemorrhoid preps
- Sleeping Tablets
- Talc/dusting powders
- Topical hydrocortisones
- Disposable diapers
- Internal analgesics
- Cold remedies
- Dental floss
- Denture cleansers

WARM
(Dollar sales increases between 0% and 5%)

- Sanitary protection
- Hair color
- Baby oil
- Dentifice
- Women's fragrances
- Throat lozengers
- Laxatives
- Nasal sprays
- Stomach remedies/ antacids
- Chapped lip preps
- Bath products
- Eye drops and lotions
- Vitamins
- Hand and body lotions
- Aftershave lotions/ colognes
- Pre-Moistened towelettes
- Face makeup
- Denture adhesives
- Toothbrushes
- Acne remedies
- Cough syrup
- Shampoos

NOT SO HOT
(No sales growth or sales volume declines)

- Baby bath
- Batteries
- Mouthwash
- Feminine douches
- Depilatories
- Ethnic hair preps
- After shampoo/ conditioners
- Suntan lotions and oils
- Deodorants
- Soft contact lens solutions
- Nail color
- Hair fixatives (sprays)
- Eye makeup
- Women's contraceptives
- Mens hair preps
- Mousse
- Arthritic remedies
- Shaving cream
- Home wave kits
- Baby lotion
- Pet flea collars
- Dieting aids

Source: Nielsen Marketing Research.

HBA Sales—What's Hot in Mass Merchandise Stores

(For six months ending June 30, 1991 vs six months ending June 30, 1990)

HOTTEST
(Dollar sales increases greater than 15%)

- External analgesics
- Sinus remedies
- Diaper rash creams
- Batteries
- Foot remedies
- Throat lozenges
- Early pregnancy test
- Cold remedies
- Sleeping Tablets
- Women's fragrances

HOTTER
(Dollar sales increases between 10% through 15%)

- Blades & razors
- Cough syrup
- Denture adhesives
- Vitamins
- Toothbrushes
- Diarrhea remedies
- Baby bath
- Stomach remedies/ antacids
- Face creams & lotions

HOT
(Dollar sales increases 5% through 10%)

- Ethnic hair preps
- Topical hydrocortisones
- Pet flea collars
- Disposable diapers
- Acne remedies
- Hair color
- Internal analgesics
- Baby powder
- Dental floss
- Sanitary protection
- Eye drops and lotions
- Hemorrhoid preps
- Arthritic remedies
- Shampoos
- Laxatives
- Cough Drops
- After shampoo/ conditioners
- Chapped lip preps
- Deodorants
- Face makeup
- Cotton swabs
- Dentifice
- Bath products
- Lip makeup
- Aftershave lotions/ colognes

WARM
(Dollar sales increases between 0% and 5%)

- Hand and body lotions
- Pre-Moistened towelettes
- Nasal sprays
- Feminine douches
- Soft contact lens solutions
- Baby lotion
- Mousse
- Mouthwash

NOT SO HOT
(No sales growth or sales volume declines)

- Mens hair preps
- Women's contraceptives
- Eye makeup
- Home wave kits
- Depilatories
- Nail color
- Denture cleansers
- Hair fixatives (sprays)
- Talc/dusting powders
- Shaving cream
- Suntan lotions and oils
- Baby oil
- Insect repellents
- Dieting aids

Source: Nielsen Marketing Research.

HBA Inventory Trends—Drug vs. Food vs. Mass Merchandisers*

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Three outlets	0%	0%	7.5	7.4	1%	(1)%
Drug stores	(1)	(1)	4.5	4.5	2	(2)
Chain drug stores	2	1	5.0	4.9	2	(2)
Food stores	1	1	9.9	9.6	(3)	(2)
Mass merchandisers	2	3	10.0	10.4	5	4

Six months ended June 30, 1991, based on the 66 categories in Nielsen's HBA Index
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

HBA INVENTORY TRENDS

part IV

HBA inventory level, turn trends report

Over the course of the past five years, HBA unit sales in chain drug stores have gone up 17 percent. So have HBA inventory levels. Unfortunately, that means that chain drug stores are not getting more efficient in managing their HBA inventories.

For the first half of 1991, there was no suggestion of any improvements. HBA inventory levels were up 1.4 percent, according to Nielsen Marketing Research. HBA unit sales were down 1.5 percent. That relationship suggests that drug stores, at least for the first half of the year, were not managing their HBA inventories well.

Independents were not doing any better. According to Nielsen, HBA unit sales were down 13 percent for the half. Their inventory levels were also down, but only by 7 percent, not enough to compensate for the loss in unit sales.

Mass merchandisers were going in a more positive direction. Their HBA inventories were only up 3 percent and unit sales were up 6 percent. Their inventory management of HBA is more efficient.

In five years, HBA inventory levels in mass merchan-

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HBA Inventory Trends—Total U.S. Mass Merchandise Stores*

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	2%	3%	10.0	10.4	5%	4%
Total toiletries	0	6	8.7	8.7	5	0
Men's products	(3)	7	9.4	9.0	9	(4)
Skin care	(3)	17	7.3	6.9	4	(5)
Hair care	3	4	9.3	9.4	3	1
Oral hygiene	1	3	11.1	11.4	4	3
Color cosmetics	(4)	5	3.5	3.4	5	(3)
Other toiletries	(1)	4	9.4	9.7	7	3
Total remedial	3	1	8.4	9.0	4	8
Cough/cold/flu/sinus	15	(3)	8.2	9.1	(1)	12
Analgesics/digestive	(4)	2	8.4	9.1	8	8
External remedies	12	0	8.4	8.7	2	2
Paper goods	1	(2)	18.5	20.1	5	10
Selected sundries	13	4	7.1	7.0	7	(1)

*Based on the 66 categories in Nielsen's HBA Index, based on the six months ended June 30, 1991
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

Report on HBA inventory level

(Continued from page 52)

dise stores have only increased 3 percent. In chain drug stores, they've gone up 17 percent in the same period.

As inventory levels have gotten leaner, mass merchandiser HBA turns have gotten sharper. For the first half of 1991, HBA turns in mass merchandise stores were averaging 10.4 turns a year, up 4 percent versus the same period last year.

In drug stores, HBA turns were down 2 percent to 4.5 a year. In chain drug stores, they were down 2 percent to 4.9 turns a year; in independent drug stores, they were down 6 percent to 3.1 turns a year.

The only categories turning faster in chain drug stores this year were external remedies, up 5 percent to 5.7 turns and cough/cold remedies, up 2 percent to 2.8 turns a year.

Food stores were also less efficient at managing their inventories this year. Their rate of turn dropped 2 percent to 9.6 annual turns a year.

This is the second year that mass merchandisers have shown themselves better at managing their HBA inventories than food chains, who are used to managing high tonnage categories. The more efficient the mass merchandisers are with their inventories, of course, the harder it is for either food or drug stores to compete with them on price.

*HBA Inventory Trends—Drug Stores**

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	(1)%	(1)%	4.5	4.5	2%	(2)%
Total toiletries	(2)	0	3.8	3.6	3	(4)
Men's products	(6)	(1)	4.4	4.3	3	(4)
Skin care	2	(1)	4.1	4.0	2	(4)
Hair care	1	0	4.5	4.2	1	(4)
Oral hygiene	(2)	2	5.7	5.5	8	(3)
Color cosmetics	(3)	1	2.4	2.2	7	(8)
Other toiletries	(4)	(4)	2.4	2.3	2	(1)
Total remedial	0	(2)	5.3	5.2	1	(1)
Cough/cold/flu/sinus	6	(4)	5.2	5.3	(5)	2
Analgesics/digestive	(4)	(1)	5.3	5.2	4	(2)
External remedies	3	0	5.1	5.1	4	5
Paper goods	(2)	3	6.7	6.6	1	0
Selected sundries	3	(6)	4.6	4.8	(4)	(3)

* Based on the 66 categories in Nielsen's HBA Index
** Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

*HBA Inventory Trends — Chain Drug Stores**

	Inventory ** level trends (% change vs. year ago) First six months 1990	1991	Average annual ** rate of inventory turns First six months 1990	1991	Inventory ** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	(2%)	(1%)	5.0	4.9	2%	(2%)
Total toiletries	(1)	2	4.2	4.0	4	(4)
Men's products	(4)	2	5.2	4.9	4	(5)
Skin care	6	2	4.6	4.5	2	(4)
Hair care	4	2	4.8	4.6	0	(4)
Oral hygiene	1	3	6.2	6.0	8	(4)
Color cosmetics	1	5	2.8	2.5	6	(9)
Other toiletries	(2)	0	2.7	2.6	3	(1)
Total remedial	3	0	5.8	5.8	1	(1)
Cough/cold/flu/sinus	10	(2)	5.7	5.8	(5)	2
Analgesics/digestive	(2)	1	6.0	5.9	4	(2)
External remedies	8	2	5.7	5.7	4	5
Paper goods	0	5	7.2	7.2	0	(1)
Selected sundries	4	(6)	4.8	5.0	(4)	4

*Based on the 66 categories in Nielsen's HBA Index, based on the six months ended June 30, 1991
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

B-T-S sales are ruled by color, fashion, licensing

By Barbara White

Retailers say that color, fashion and licensing are the trends that continue to drive back-to-school stationery sales. Other trends, such as the recycling movement and licensing, are also giving the category a boost. And home office, while not growing in the leaps and bounds that it had been, continues to advance.

Color, always a difficult trend for retailers to predict—especially in relation to products aimed at the faddish youth market—will debut in jewel tones (teal, emerald and violet) in 1992 and may outsell the neon items that have been so strong for the past few years.

Still, vendors and retailers alike believe there is some steam left in bright neon colors, especially for the younger set.

When it comes to design, geometrics and holographic patterns are everywhere. The holographic designs are showing up on everything from notebooks to clipboards.

Licensing, a good area with the youth market, will stay strong in 1992 with more licensees for characters, such as Barbie and The Little Mermaid, coming into the market.

"Barbie was great for us in everything from file folders to party materials," said Cynthia Stahley, buyer at Genovese Drug Stores in New York. Indeed, Pat Patterson, vp-sales-/marketing of Plymouth, Inc., said products under the Barbie license have had a strong debut in initial sales calls.

Barbie products were also hot at Walgreens and are expected to continue selling well through mid-'92, according to Pat Faye, buyer at Walgreens, who noted that "Pirates are looking strong and there's still a lot of interest in the Turtles."

Faye said that a new character, called James Bond Junior, is also showing promise at Walgreens. "A month makes a big difference in licensing. It's hard to say what will be popular in a year," he said.

How much fashion, color?

Retailers vary on how much fashion and color they'll be carrying in 1992. At Reliable Drug Stores in Indianapolis, fashion merchandise makes up 50 percent of the stationery mix.

Other chains are more conservative. Said Chris Michel, buyer at New Orleans-based K&B: "Fashion goods, while necessary, are going to be a smaller part of the program this year. We're going back to basics." Stahley said Genovese stick to basics but "jazzes it up" with fashion and color.

The recycling question

The jury is still out on recycled products. "We do carry some recycled paper from Stuart Hall," said Tony Montini, buyer for Reliable. "But we are waiting to see how the market reacts before investing heavily in recycled paper."

Most retailers say the market is reacting slowly, but in a positive way. "We carried 200-count reycled filler paper last year and sales were good," said Mark Tow, buyer for Cincinnati-based Hook SupeRx. "We expect sales to be even better in 1992."

Retailers say they have to price recycled products at the same level as other merchandise, even though the recycled products may be more expensive. Ron Riviere, buyer for Minnetonka, Minn.-based Snyder's Drug Stores is one of many buyers who is seeing growth in recycled products. He is pricing those items at the same level as other products.

"The success of recycled products depends on how it's merchandised," said Walgreens' Faye. "You can't merchandise recycled envelopes next to the regular envelopes. We did that two years ago and priced them higher than the regular enveloped and failed miserably."

Now, said Faye, all recycled producs are merchandised in one section to make a statement. The area has become very successful for the chain. "We added 10 SKUs from Stuart Hall's green line last year. Even if the products cost more, we charge the same price. The customer doesn't understand why the products should be more expensive."

Stationery advertising for top 50 drug chains

*(Percentage of space devoted to stationery ads each month)**

	'90	'91	% change
January	4.9	5.6	+14.3
February	3.8	3.2	−15.8
March	3.2	1.9	−40.6
April	1.7	1.3	−23.5
May	1.0	0.7	−30.0
June	1.7	0.7	−58.8
July	3.7	5.4	+45.9
August	16.1	17.0	+ 5.6
September	5.8	6.0	+ 0.3

*First nine months of each year

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Retailers will be offering the back-to-school crowds new books and folders in jewel tones, neons and popular licenses in 1992.

Smart fun is reason for growing arts & crafts sales

Activity kits that combine fun and creativity aren't only popular with kids: parents love these items too.

Children's activity kits are becoming important in the marketplace as parents put a greater emphasis on their children's education. Many homes are two-income households headed by young parents willing to spend a few extra dollars on a product that will make the best use of a child's time.

Retailers who have invested in this product area are finding it well worth the space they are giving it.

"Arts and crafts have definitely expanded for us," said Cynthia Stahley, buyer at New York-based Genovese. "We've been able to trade up the customer to washable markers, and we've seen sales of construction and craft paper and educational materials growing."

Washable crayons

Said Chris Michel, buyer at New Orleans-based K&B: "Binney and Smith's new washable crayons may change people's attitudes about crayons the way the company's washable markers did." Michel said that his customers would rather pay more for markers or crayons that are washable than to pay for new wallpaper later. Other smaller players, such as Pentapco Inc., have entered the market with washable markers and crayons in big, chubby sizes for small hands.

Indianapolis-based Reliable Drug Stores has increased space devoted to these products. "We added that area from a few products to a permanent four-foot arts and crafts department," said buyer Tony Montini. "Sales have been very strong." Reliable does not stock high end merchandise. Margins in this department, however, are enviable. "We have an average of 50 percent margins on activity kits," he said.

Why does Montini think these products are doing so well? "The activity kits are a way for parents to get kids involved in an activity so that they are thinking and creating something," he said.

Montini believes that this will be a strong growth area for retailers. "I think people will devote more space and more companies will come out with products that are educational."

Binney and Smith and Rose Art will be introducing more activity kits for 1992. Rose Art's kits are priced up to $19.99. Smaller vendors are also entering the market, such as Creative Learning Products, with products that teach children the alphabet and the countries of the world through coloring. The kits retail for $5.99.

Battle tents pitched in Puerto Rico

Continued from page 1

chain.

Wal-Mart will make its first venture outside the U.S. mainland next summer when it opens stores in Fajardo, about 30 miles east of San Juan, and Arecibo, about 30 miles west of the capital. A third store is scheduled for late '92 in the west coast city of Mayaguez.

Wal-Mart declined to discuss its future plans, but drug store executives predict the chain will eventually operate six stores on the 100- by 35-mile island, including one in the San Juan area.

The upcoming rivalry reminds executives of Kmart's sudden expansion from three to eight stores in early 1983. The industry was able to weather that threat after an initial decline in sales, but confronting Wal-Mart might be a thornier problem.

Wal-Mart is expected to draw curious consumers from all over the island with its reputation for brand-name goods and everyday low prices. Meanwhile, the retailing market has become intensely competitive as other discounters launch aggressive expansion plans to combat Wal-Mart, even though overall retail sales are falling.

"This is going to change how everyone shares the retailing pie, from department stores to discounters to drug stores," Enrique Anglade, Walgreens' regional vp for Puerto Rico and Miami/Fort Lauderdale, told *Drug Store News*.

El Amal's Yassin said competing against Wal-Mart will be particularly difficult if the chain operates in-store pharmacies and discounts popular prescription drugs, a practice Wal-Mart uses frequently in the states.

"There is no way we can match those prices," he said.

Wal-Mart has applied for government permits to open pharmacies in its Arecibo and Fajardo stores. However, there is no guarantee that the permits—awarded by the Department of Health on the basis of convenience and need—will be granted. Kmart has been fighting for pharmacy permits for years, and Walgreens had to wait more than six years to get a pharmacy permit for its store in the south coast city of Ponce.

The approval process allows competitors to dispute the need for another pharmacy in a specific area. Yassin, who will compete head-to-head with Wal-Mart in Arecibo, is considering opposing Wal-Mart's permit for its Arecibo store. Walgreens, which will operate next door to Wal-Mart in Fajardo, has already decided to fight Wal-Mart's permit there.

"No one ever told us there would be another pharmacy in that Fajardo center," Anglade said.

But fighting the pharmacies will be only part of the battle. Wal-Mart's clout in health and beauty aids threatens non-pharmacy lines, where drug stores here generate about 65 percent of their sales.

Walgreens, with 29 stores on the island, carries a broad line of top-of-the-line cosmetics and perfumes in its Puerto Rican stores because there aren't many upscale department stores here. The chain plans to shift more of its advertising to those prestigious lines.

"That's our forté, and I plan to emphasize and nurture it," Anglade said. "Wal-Mart's lines are not as upscale."

Anglade also plans to emphasize the stores' broad line of over-the-counter drugs and health care products. "We'll have more depth—we have all the sizes and all the flavors," he said.

El Amal is working on its first-ever corporate image advertising campaign which will stress the chain's service, late-night pharmacy hours and family atmosphere.

"When people think of drug stores, they will think of Amal," said Yassin, who operates 14,000-square-foot stores compared to Wal-Mart's 100,000-square-foot stores.

Moscoso, a locally-owned chain with 35 stores on the island and estimated sales second only to Walgreens, would not comment on Wal-Mart's entry.

Eric Gonzalez, president of the 13-store Gonzalez Pharmacies, said his stores will emphasize service. He added that he may develop some advertising programs geared directly against Wal-Mart.

"I'll do some hit-and run-tactics," Gonzalez said. "It will be more like guerilla warfare rather than head-on combat."

Different laws in P.R. may make it hard for Wal-Mart

SAN JUAN, Puerto Rico—Operating a retail store on this island of 3.2 million people is full of quirks and surprises, ranging from complicated government regulations to unexpected consumer preferences.

Established drug stores that know these peculiarities may have a competitive leg up when Mal-Mart enters the market.

"It's a different ball game here, and Wal-Mart could have some growing pains," said Eric Gonzalez, president of Gonzales Pharmacies.

Chief among the market's idiosyncrasies is its complex closing law, which allows stores to operate between 5 a.m. and midnight, Mondays through Saturdays, and between 11 a.m. and 5 p.m. on Sundays, when stores must pay employees double-time.

A drug store with a pharmacy, however, can open outside of regulated hours provided it sells only "traditional drug store" items.

Walgreens, which has operated here since 1959, said the law is vague, and drug stores often have to ask the government to clarify what they can sell outside of closing law hours.

"There are many gray areas when defining a traditional drug store item," said Enrique Anglade, Walgreens' regional vice president for Puerto Rico and Miami/Fort Lauderdale.

"For example, can a lamp be sold as a traditional item under school supplies, and, if so, what about a bulb?"

If Wal-Mart stores open with a pharmacy, it is unclear whether Wal-Mart could be considered a drug store and allowed to operate after restricted hours.

"The government would have to make that decision," Anglade said.

Some large retailers have also run into distribution problems because most of their merchandise is shipped from the mainland. Kmart is well-known for running out of advertised merchandise here.

"If you advertise something and there is not enough, you're dead," Anglade said. "You can't go back to the well because by the time the product gets here it's too late. That will kill you if it is a seasonal item."

Anglade added that many off-shore retailers have guessed wrong about the type of merchandise consumers buy in Puerto Rico.

"People tend to think of this as a secondary market and ship junk down," he said. "But Puerto Rican consumers like name-brand products."

Gonzales believes Wal-Mart might have to change its strategy of promoting American-made products as a way to draw consumers.

"This is an import market," Gonzalez said. "People won't drive any farther or spend more just because it's a U.S. product."

He added that Wal-Mart will also have to get used to higher freight charges, taxes, electricity bills and insurance costs on the island.

Chicago Perry stores get a remake

Continued from page 1

ry drug stores Oct. 25, marking Perry's exit from Chicago and the creation of a new niche player in the nation's second-largest drug store arena. The deal also gave two longtime drug store operators, Fred Barney and partner Bob Cartwright, a long-awaited entree back into the business. They seem to relish the chance.

"There is a niche role for a small chain in a big market," Barney said. "With 16 stores, we know we're not here to take on the Walgreens or Oscos of the world. We're billing ourselves as the friendly neighborhood drug store with chain store prices."

Added Cartwright, "We're going to merchandise each store locally, for its own neighborhood."

In a talk with *Drug Store News* at their new base of operations, Barney and Cartwright outlined an extensive set of plans and priorities for the new operation. Those include a complete remerchandising of each store—"virtually every four-foot section"—to reflect a new niche strategy that the two hope will more closely mirror local market conditions. Such a strategy, with local buying, marketing and merchandising, will give the new chain an advantage Perry didn't have with offsite control.

"We're looking at this as 16 neighborhood drug stores, merchandised to that community's needs," said Barney.

"We have a space conversion plan for every store," added his partner. "For instance, we're adding soft goods [where they'll work]; and we're increasing food selection at the Fullerton Ave. store because of its proximity to the [DePaul University] campus.

"The stores have great demographics," he added. "More than half of them are in ethnic neighborhoods—Polish, black, Korean, etc. We're going to play to them."

Along those lines, the chain is running its first Korean-language circular for Thanksgiving in the Korean community. And early next year, Barney will meet with DePaul student leaders to find out what they want in a drug store.

The operators have also retained all store managers and personnel, said Barney, and will draw on their market knowledge to overhaul and localize the stores. The change to local ownership and control has fired them up, Barney said.

Among other plans for the stores: new cosmetics departments with service counters re-installed; speed check lanes; enlarged and repositioned departments for greeting cards, liquor and office supplies; the addition of videotape rentals in a party/home entertainment section; new, lower fixturing; a new color scheme based on off-white with color accents; and more vendor participation in setting departments.

Also in the works: a logo change and a new company name. The firm has nine months from the date of sale to replace the Perry logos on the stores.

"Perry has been very good to us," added Barney. "So have the vendors. They've welcomed us with open arms."

Barney said the new company has one distinct advantage over many other retail startups. "One of the factors on our side is the strength of our balance sheet," he said. "We haven't had to leverage the deal. . (which was financed through) equity investing . . . by a close-knit group of investors."

RDS files for Chapter 11 protection

Continued from page 1

that the court-protected restructure will result in a healthier company.

Robert Morick, senior vp-marketing, told *Drug Store News* that Citicorp Venture Capital, a unit of Citicorp bank, Towle and Oberfield are the three largest equity owners.

The filing ends the first act of a chain that was formed through the Sept. 1990 purchase of 146 stores which were being divested by Revco, another operator in Chapter 11. A month later, the group acquired 17 stores from the bankrupt SupeRx Corp. of Arizona for about $4.5 million.

RxPlus is the largest drug chain headquartered in the Southwest, with estimated first year revenues of $250 million-plus.

Morick last week said that the company has been "struggling," although sales and profits have been "somewhat" according to projections, he said. "We didn't have enough financing to run it the way we wanted to run it. We needed more working capital."

Management had been negotiating since the summer with Citicorp and Security Pacific Bank to raise new financing when the Chapter 7 petition was filed by the three creditors and "threw (the banks) into a tizzy," said Morick.

Other company officials including Towle could not be reached for comment.

RxPlus was launched on a buoyant note by a team of veteran drug store operatives who felt they had purchased Southwestern drug stores that had solid potential.

The Revco stores were said to be in good condition when purchased and boasted a strong presence in markets including El Paso and Tucson. And although in a competitive market, the SupeRx stores came with excellent locations and leases.

DRUG STORE NEWS

VOL. 12 NO. 11 The Journal of Retail Pharmacy DECEMBER 9, 1991

for the PHARMACIST

HANDBOOK OF NONPRESCRIPTION DRUGS
Stedman's Medical Dictionary
Drug Evaluations Subscription
Drug Evaluations Subscription
Drug Evaluations Subscription
Drug Evaluations Annual 1991
DRUG STORE NEWS for the PHARMACIST
Pharmacist's Reference for Patient Counseling
PROFESSIONAL'S GUIDE TO Patient Drug Facts
facts and comparisons
Facts and Comparisons
AMDEK

Pharmacist's Reference for Patient Counseling

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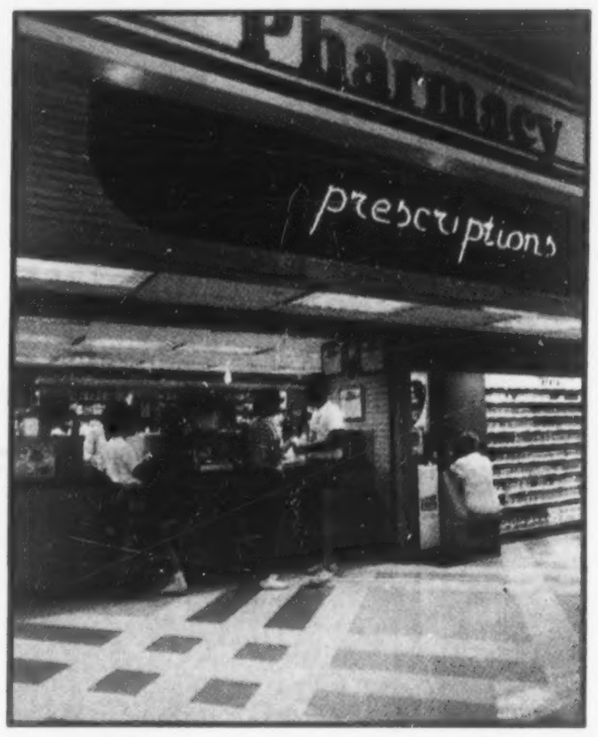

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THE TOP 100 PRESCRIPTION PRODUCTS

The following list is based on the number of prescriptions dispensed, and includes both brand and generic drugs.

RANK	DRUG NAME	MANUFACTURER
1.	Amoxil	Beecham
2.	Lanoxin	Burroughs Wellcome
3.	Zantac	Glaxo
4.	Premarin Tabs	Wyeth Ayerst
5.	Xanax	Upjohn
6.	Dyazide	Smith Kline
7.	Ceclor	Dista
8.	Synthroid	Boots
9.	Vasotec	MSD
10.	Seldane	Marion Merrell Dow
11.	Tenormin	ICI
12.	Cardizem	Marion Merrell Dow
13.	Capoten	Squibb
14.	Naprosyn	Syntex
15.	Tagamet	Smith Kline
16.	Prozac	Dista
17.	Calan SR	Searle
18.	Ortho Novum 7/7/7	Ortho
19.	Lopressor	Geigy
20.	Augmentin	Beecham
21.	Dilantin	Parke Davis
22.	Proventil Aerosol	Schering
23.	Lasix	Hoescht Roussel
24.	Voltaren	Geigy
25.	Tylenol w/Codeine	McNeil
26.	Theo Dur	Schering
27.	Darvocet-N-100	Lilly
28.	Micronase	Upjohn
29.	Ventolin Aerosol	Allen & Hanburys
30.	Halcion	Upjohn
31.	Cipro	Miles
32.	Mevacor	MSD
33.	Procardia XL	Pfizer
34.	Provera	Upjohn
35.	Procardia	Pfizer
36.	Humulin N	Lilly
37.	Feldene	Pfizer
38.	Triphasil 28	Wyeth Ayerst
39.	Coumadin	Dupont
40.	Lopid	Parke Davis
41.	DiaBeta	Hoescht-Roussel
42.	Trimox	Squibb
43.	Monistat-7	Ortho
44.	Glucotrol	Roerig
45.	Amoxicillin Trihydr.	Biocraft
46.	Motrin	Upjohn
47.	Valium	Roche
48.	Ibuprofen	Boots
49.	Timoptic	MSD
50.	Nitrostat	Parke Davis
51.	Ortho Novum 1/35	Ortho
52.	Pepcid	MSD
53.	Polymox	Bristol Myers
54.	Carafate	Marion Merrell Dow
55.	Lotrisone	Schering
56.	Retin-A	Ortho
57.	Penicillin VK	Mylan
58.	Hismanal	Janssen
59.	Tavist-D	Sandoz
60.	Inderal	Wyeth Ayerst
61.	Vicodin	Knoll
62.	Micro-K 10	Robins
63.	Estraderm	Ciba
64.	Trental	Hoechst-Roussel
65.	Zestril	Stuart
66.	Pamelor	Sandoz
67.	Cardizem SR	Marion Merrell Dow
68.	Slow-K	Summitt
69.	EES	Abbott
70.	Corgard	Bristol
71.	Entex LA	Norwich Eaton
72.	Ativan	Wyeth Ayerst
73.	PCE 333	Abbott
74.	Macrodantin	Norwich Eaton
75.	Tegretol	Geigy
76.	Inderal LA	Wyeth Ayerst
77.	Transerm-Nitro	Summitt
78	Ceftin	Allen & Hanburys
79.	APAP w/Codeine	Purepac
80.	ERYC	Parke Davis
81.	Maxzide	Lederle
82.	E-Mycin 333	Boots
83.	Lozol	Rhone Poulenc Rorer
84.	Nicorette	Marion Merrell Dow
85.	Clinoril	MSD
86.	Lo/Ovral 28	Wyeth Ayerst
87.	Propoxyphene N/APAP	Mylan
88.	Zovirax	Burroughs Wellcome
89.	Veetids	Squibb
90.	Iletin I NPH	Lilly
91.	Anaprox DS	Syntex
92.	Slo-Bid	Rhone Poulenc Rorer
93.	Ansaid	Upjohn
94.	BuSpar	Mead Johnson
95.	Prinivil	MSD
96.	Duricef	Mead Johnson
97.	Hydrocodone w/APAP	Barr
98.	K-Dur	Key
99.	Flexeril	MSD
100.	Orudis	Wyeth Ayerst

THE TOP 20 GENERIC PRODUCTS

The following is based on number of prescriptions dispensed during 1990 for all manufacturers of the drugs listed.

RANK	DRUG NAME
1.	Amoxicillin Trihydrate
2.	Penicillin VK
3.	Prednisone
4.	Ampicillin
5.	Doxycycline Hyclate
6.	tetracycline NCl
7.	Ibuprofen
8.	Hydrochlorothiazide
9.	Erythromcyin Stearate
10.	Acetaminophen w/Codeine
11.	Cephalexin
12.	Erythromycin Base
13.	Hydrocortisone Cream
14.	Trimethoprim-Sulfamethoxazole
15.	Amitriptyline
16.	Furosemide
17.	Nystatin
18.	Diazepam
19.	Phenobarbital
20.	Lorazepam

The newspaper of drug store retailing
January 6, 1992

C5150-2

DRUG STORE NEWS

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Dot: An end to operations?

LENEXA, Kan. — Dot Drug Stores may close operations within the next few weeks, two years after its takeover from Wal-Mart Stores by a small team of investor-managers. The company's financial troubles have mounted despite a massive effort to revitalize and reposition the 14-store chain in its five Midwestern markets.

Dot acknowledged its problems in a Dec. 12 letter to vendors. In that letter, Dot chairman Jerry Gaddis told suppliers: "The recent poor economic climate, the entry of new competition into our best market areas and other events beyond our control have had a significant negative impact upon our revenues and income.

"Despite cutting our costs to the bone and many efforts to obtain additional financial resources, we have made the extremely difficult decision that we are unable to continue doing business," Gaddis continued. He added that Dot would "use our best efforts" to pay vendors' outstanding claims, but said the company's secured lender, Bergen Brunswig, "has a first lien on all our assets."

Gaddis noted the company has developed a plan to "systematically close stores and liquidate inventory over the next 60 days" in order to pay its debts. He said negotiations were ongoing in attempts to sell

See **Dot** *page 37*

CVS to depart Calif.; American gets stores

CVS, citing its market share, abandons its western operation with an agreement to sell 85 stores to American Drug. American quickly adds to its mass of 221 Sav-ons.

RYE, N.Y. — CVS signed an agreement to sell its 85 drug and HBA stores in California to American Drug Stores, ending a decade-long effort to build market share on the West Coast. The sale is expected to be finalized in February.

American, parent company of Osco and Sav-on, will purchase all CVS assets in the Golden State, including 63 drug stores, 22 HBA stores operated as Consumer Value Stores and CVS' distribution center in Rancho Cucamonga. CVS regional headquarters is in Santa Ana; the stores are concentrated in the greater L.A. region.

Following the sale, CVS will operate 1,175 drug and HBA stores in 16 eastern states and the District of Columbia, with operations as far west as Michigan. CVS president Harvey Rosenthal told *Drug Store News* the decision to sell the stores was not made lightly.

Harvey Rosenthal
'Good for both companies'

"CVS has been in Southern California for quite a long time, but without acquisitions it was difficult to build a big enough market share to be competitive," he said. "I have mixed feelings about it because people worked very hard at it for a long time, the stores continue to show improvements, and it's a growing market."

Nevertheless, said Rosenthal, "In the long term, I think it's good for both companies. It enables us to focus our resources in the East, and on our major task of integrating the Peoples stores." He added that the West Coast stores were well-run, but "were not producing at the rate of CVS as a whole."

In addition, running the stores thousands of miles away from CVS' headquarters in the Northeast was logistically difficult, Rosenthal added.

LATE NEWS

•WOODBRIDGE, N.J. — Supermarkets General Holdings Corporation finalized the sale of its Purity Supreme operation, which operates 63 Purity supermarkets in New England and 63 Li'l Peach convenience stores in Massachusetts, to Freeman Spogli & Co. for $265 million. SGHC will retain a 10 percent common equity interest in the company, which generated sales of $1.3 billion in 1990.

•RIDGEFIELD, N.J. — Neuman Wholesale Drug Company, a New York-area wholesaler of pharmaceuticals and HBA, merged with Rahway, N.J.-based James Wholesale Drug Co. The merger increases Neuman's customer base and gives Neuman control of James' durable medical equipment subsidiary.

FEATURES

Less going out lifts videotapes

Skittish consumers look to home videos for fun as they spend less on going out. Page 9.

Basics rule personal care

Few fads make it in personal appliances today, say buyers on their way to NHMA Show. Coverage and show planner. Page 25.

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

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SECOND CLASS

RxPlus closes 22 stores

By David Vaczek

PHOENIX — RxPlus has closed 22 drug stores as it prepares to reorganize under a Chapter 11 bankruptcy petition approved last month by the bankruptcy court here.

The stores were located throughout the chain's markets of operation, in Arizona, New Mexico, Texas and Colorado, and were unprofitable, said Robert Morick, senior vp-marketing.

Morick said RxPlus, now with 118 stores, is in the process of securing debtor-in-possession financing which will allow the stores to continue in operation while a debt reorganization plan is drawn up.

RxPlus

He declined to comment on the chain's total assets and liabilities and those numbers were not immediately available from court papers.

An RxPlus filing does name the top 20 creditors, all owed over $100,000.

Alco Health is the largest, owed $10.5 million, followed by Qualex, Inc., $611,680, American Greetings, $512,069, Revlon Cosmetics,

See **RxPlus** *page 37*

Hoven fills Adamson's Revco post

D. Dwayne Hoven has stepped into the management void left by executive vp-marketing Jim Adamson, who left Revco for Burger King USA.

By James Frederick

TWINSBURG, Ohio — D. Dwayne Hoven, executive vp-stores for Revco D.S., has been named executive vp-marketing and stores following the departure early last month of executive vp-marketing Jim Adamson. The move, which Hoven characterized as an interim step, puts him in ultimate control of all marketing, merchandising and operations activities.

Hoven

Thus, Hoven will oversee such areas as pharmacy operations, all purchasing, inventory management, marketing services, store operations and

See **Hoven** *page 37*

NEWS IN BRIEF

O&M names MIS chief

RICHMOND, Va. — Owens & Minor has named Richard Farinholt as vp-information systems. Farinholt was most recently president of Information Technology Group, Inc., his independent consulting firm.

Prior to that, he was president of HealthNet Inc., which had provided information technology support for its parent Consolidated Health Care Inc.

The wholesaler has also advanced its medical supply business with the purchase of the Omaha, Neb.-based Koley's Medical Supply, Inc.

The buy of all the stock was completed on Dec. 2.

"Koley's has an outstanding reputation as a health care distributor and is recognized as a leader in providing stockless inventory management programs to hospitals," said O&M president and ceo G. Gilmer Minor III.

Koley's services Iowa, Nebraska and parts of Kansas and Missouri.

Cosmetic Center makes *Forbes'* list

BALTIMORE — The Cosmetic Center, Inc., which closed its 1991 fiscal year in September with just under $90 million in sales, was listed in *Forbes'* November 11 issue as one of America's 200 Best Small Companies.

The company, which operates 37 stores specializing in beauty products, has recorded 22 consecutive quarters of increased profits since going public in 1986.

Drug Emporium's Wilber honored

NEW YORK — Drug Emporium CEO Gary Wilber will be given the Anti-Defamation League's Health and Beauty Care Division's Man of Achievement award at a dinner on February 13 at the New York Hilton Hotel.

Wilber receives this honor in recognition of his community support which includes work with the Cystic Fibrosis Foundation, the Big Brothers/Big Sisters Association, the Children's Miracle Network Telethon and the United Way.

He is also being recognized for success in creating industry trends and meeting customer demands, enabling Drug Emporium to sustain its growth from a single store in 1977 to a chain of 218 stores nationwide.

"Gary Wilber has long devoted himself to the service of the community and to leadership in the health and beauty industry," said Dinner Chairman Roy Benjamin, executive vp of Cosmair, Inc.

Arbor wins retailer award

TROY, Mich. — For the sixth consecutive year, Arbor Drugs has won a High Performance Retailer Award, one of only 17 retailers nationwide to have been so cited.

The award recognizes companies that consistently demonstrate an ability to outperform the marketplace. It is sponsored by *Chain Store Age Executive*, a sister publication of *Drug Store News*, and Management Horizons, the Columbus, Ohio-based consulting arm of Price Waterhouse.

"As the only drug store chain throughout the country to be a member of the High Performance Club, we are very pleased to be among such illustrious retailers. . .as Nordstrom, The Gap, Toys 'R' Us, and Dillard," commented Arbor chairman and ceo Eugene Applebaum.

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Alco's stock offer will raise about $95 million in capital

VALLEY FORGE, Pa. — Alco Health Services is going public to ease its debt and raise working capital—about three years after a $550 million leveraged buyout.

The structured plan

The company will sell 6,300,000 common shares to the public and projects it will raise about $95 million with an estimated price per share of $15. Also, Alco will recapitalize, retiring a total of about $86 million in "junk bond" debentures by providing the holders with 3 million more common shares and cash, according to a registration statement filed with the Securities and Exchange Commission.

Parent company takes stock

The Alco Health Distribution Corp., owner of Alco, will use some of the proceeds from the stock sale for working capital and acquisitions, while the recap will reduce long-term debt by $124.3 million to about $446.6 million, it said in the S-1 statement.

The new stock will trade on the NASDAQ exchange, under an unnamed symbol.

Alco officials said they can't comment on the filing which is in "a quiet period" pending SEC review.

Equity increases

With the transactions, Alco boosts its equity as the number of outstanding common shares will increase from 4.9 million to 14.3 million. Stockholders' equity grows from minus $68.3 million to plus $49.0 million.

Alco will still be a highly-leveraged company but it is eliminating significant interest costs on high-yield notes.

"Although the application of the proceeds of the offering and the recapitalization of certain debt will reduce the company's indebtedness, the company's financial position will continue to limit its flexibility in responding to changing business and economic conditions," it said in the filing.

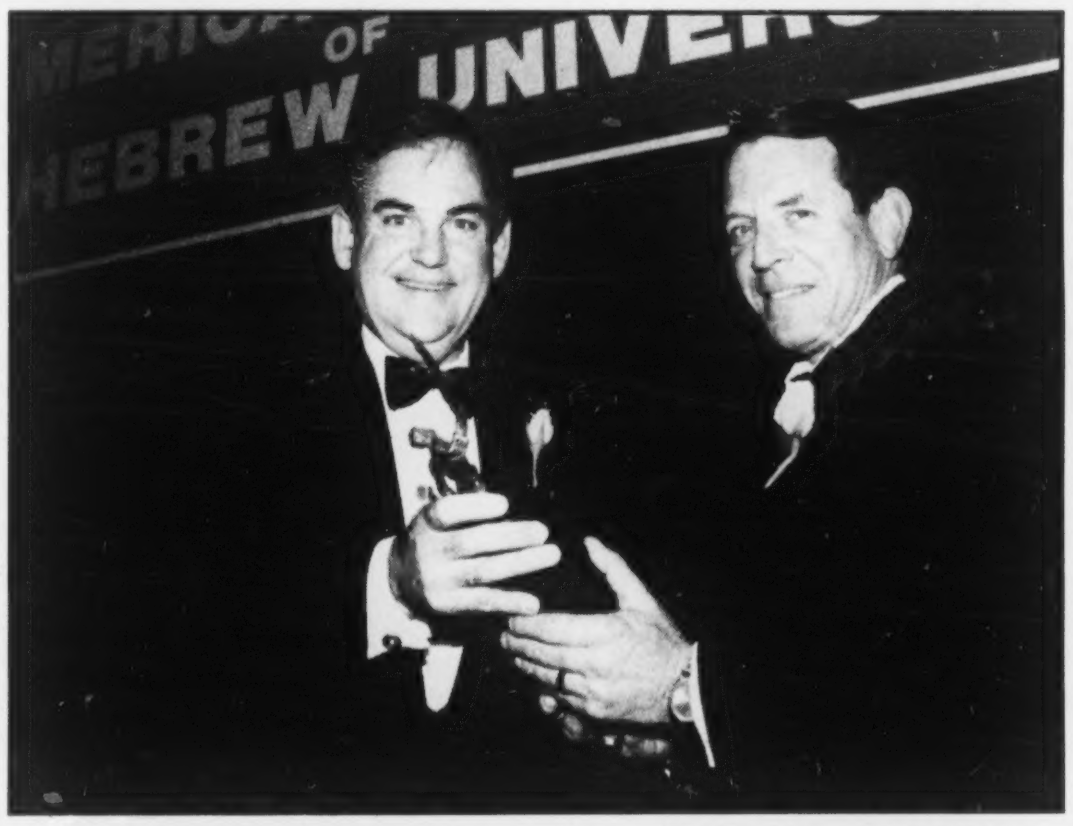
The owners of all 18 percent senior subordinated debentures, total value $15.9 million, and the owners of all 19½ percent junior subordinated debentures, value $27.9 million, will trade the debentures for common shares. Citicorp Investments, Inc., the major LBO investor, is exchanging $15.5 million of the senior debt, and $27 million of the junior debt for stock.

Cash to be paid

Alco will pay cash—from the proceeds of the stock sale—to buy all of the outstanding high-yield "merger debentures," equaling $42.3 million.

The fourth largest drug wholesaler with revenues of $2.8 billion in the fiscal year ended Sept. 30, Alco since its LBO has focused strongly on building efficiencies. Facilities were consolidated from 31 to 19.

Heller of May's receives Torch of Learning award



Gerald Heller (right), president and ceo of Tulsa-based May's Drug Stores, received the American Friends of the Hebrew University's Torch of Learning Award from Ron Ziegler, president and ceo, NACDS. More than 800 people attended the dinner in honor of Heller's commitment to pharmacy research and education at the Hebrew University.

Clarification

The methodology of the Consumer Brands Preference Study that appeared in the December 9 issue of *Drug Store News* was inadvertently omitted with the study. The study was a national phone survey of 1,000 households conducted in June 1991. The survey was answered by the chief shopper of the household, in 761 cases women; in 239 men.

Sampling error ranges between plus or minus one to three percent for the total sample of 1,000 households. That margin is larger for subgroups (such as regional areas) where sampling error ranges from plus or minus two to seven percent. It is a nationally projectable survey.

The complete Consumer Brands Preference Study covers 32 categories. It is available for sale. For more information, contact: Jill Manee, associate publisher, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022 (212) 756-5224 FAX (212) 756-5250.

Corrections

In the November 25, 1991 issue of *Drug Store News*, several identification errors were made in reporting the page 14 article on Duane Reade winning the Rex Regional Chain of the Year Award. The correct identifications are: Abe Cohen is chairman; Eli Cohen is president and ceo; Leon Cohen is vice president and Howard Smith is regional vice president of SP Drug.

The December 9, 1991 issue ran a Nielsen Marketing Research chart which was mislabeled. The chart should have run as follows:

Division of Drug Store Sales By Store Size and Ownership

	Years			First Six Months		
	1986	1987	1988	1989	1990	1991
Medium/small independents (sales under $500,000)	16.7%	14.5%	12.7%	11.1%	9.6%	8.7%
Large independents (sales over $500,000)	23.2	24.3	25.1	25.5	26.4	27.3
Chains	60.2	61.1	62.2	63.4	64.0	64.1
Total dollar sales (billions)	50.3	53.5	57.9	62.9	67.8	35.7

Year ending Dec. 31

Source: Nielsen Marketing Research.

Economy, technology were '91's big stories

The biggest stories aren't always the one that make the front page. They happen in smaller doses, like waves changing a shore. For the chain drug industry, the shoreline has shifted in some good and bad ways this past year. And here, reflecting some of these changes, is my annual list of the 10 top stories of the year. Notice that none of them are "front page" items.

IN THE MARKET
BRUCE BUCKLEY

1. 1991 was the year in which POS scanning turned the corner in the chain drug industry. Many chains have been experimenting with the technology, and a few have rolled out systems chainwide. But last year the trickle became a stream.

2. Story number 1 leads inevitably to number 2: the development of sophisticated software systems that allow much greater control in the areas of product selection, inventory and shelf management, pricing efficiency, distribution and promotion tracking.

3. And story number two leads to 3: More information and greater control allows chains to tailor their marketing efforts down to the individual neighborhood store or stores, a process that is gathering force and will reach fulfillment in the '90s.

4. Investment in store growth last year lost ground to investment in stores. As the nation's credit woes dried up the once plentiful selection of retail sites, chains moved more of their capital resources into increasing the return from existing assets. The result: Smashing new prototypes turned up all over the place, vying with one another for design awards.

5. As a corollary to investing at store level, chains put more emphasis on training and customer service. The object: to take a page from the independents' manual and become the corner drug stores of the '90s. The stronger independents, meanwhile, rushed to wrap themselves, through their wholesalers, in the technological and merchandising sophistication of chains.

6. Partnership and alliances became the hot buzzwords in an industry searching for relief from withering competition and dwindling consumer confidence. Win Weber's articles in last month's issue on overcoming mistrust between retailers and vendors cut through the rhetoric and put the partnership issue in sharp relief. But the fact remains that the chain drug industry has made great strides in establishing productive relationships.

7. Despite chains' leaner profiles, the faltering economy took a toll on their bottom lines. There were some casualties in 1991 and there will probably be more next year.

> *The result of investment in store growth was smashing new prototypes that vied for design awards.*

8. It wasn't only the economy that wreaked havoc. Supermarkets and discount chains stepped up their onslaught. That was the bad news. The good news is that good drug store operators have learned to survive, yes, even Wal-Mart.

9. Pharmacy continued to gather steam as the engine driving the drug store industry, a trend that is likely to increase as the demographics of the '90s take hold. The flip side: More third-party prescriptions will mean continually eroding margins.

10. The pressure to change the entry level pharmacy degree to Pharm.D. is growing, despite the documented adverse effect on the supply of pharmacists. This was a big story in 1991 whose effects may not take hold until the 21st Century.

How does your list compare? Let me know.

Congress drops ball on drug stores for '92

For the next six months at least, the nation's drug stores figure to be working overtime to counter the effects of our chilly economic climate.

How much help can the industry count on from Washington? Practically none!

While thousands of businesses are fighting for survival and millions of workers are worrying about their jobs, Washington is marching to a different drummer.

WASHINGTON PERSPECTIVE
KEN RANKIN

Instead of developing legislation to stimulate business growth and employment, Congress is focusing in on schemes that will make it more difficult and more expensive to create jobs.

Here's what drug stores can look for from Washington in '92:

Higher labor costs thanks to a series of legislative schemes under serious consideration on Capitol Hill. Mandated health insurance benefits for workers, national family leave requirements and measures to restrict hiring of replacement workers for strikers all figure to make it more costly to keep employees on the payroll.

Rising transportation costs resulting from plans for a multi-billion dollar hike in federal motor fuel taxes, plus an assortment of new government rules regulating truck emissions, drug testing requirements for drivers and the transport of hazardous materials.

Increased store construction expenses stemming from a series of stiffer environmental requirements, plus new handicapped access regulations for all new and remodelled retail outlets under the Americans with Disabilities Act.

Reduced government hiring incentives under programs such as Targeted Jobs Tax Credits (funding runs out this summer) and the Job Training Partnership Act (Congress is eyeing new restrictions on trainees eligible for federal assistance).

Tougher federal enforcement standards and stiffer penalties for businesses charged with violations by the Labor Department, FDA, OSHA and other Washington regulatory agencies.

Stepped up litigation risks for employers in the wake of last year's Civil Rights bill which makes it easier for workers to seek damages for alleged job bias.

To be sure, there's a case to be made on behalf of each of these initiatives.

Certainly, workers deserve protection from employment discrimination, the disabled should have access to places of public accommodation and problems such as pollution, health care and substance abuse need to be addressed.

But increasingly, Washington appears to be placing the burden of solving these social problems on the shoulders of employers who are themselves fighting for survival.

It's time to shift gears and start creating a climate that encourages drug stores and other businesses to create new employment opportunities.

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Homespun America focuses on video entertainment

Blank videotape sales grew meaningfully at drug chains in 1991, as consumers entertain more at home and tighten their recreational spending, buyers told *Drug Store News*.

The other good news is that videotape consumers are using more high-grade tapes for specific events—and that has helped drive volume gains of 4 to 6 percent, report suppliers. That's below the 18 percent surge experienced in 1990, but is still strong compared with other recent years in this mature market.

Video cassette recorder sales grew by two percent, and that also helped build demand for tapes. And as of mid-year, a huge 72.5 percent of U.S. households had VCRs, according to Nielsen Media Research.

Meanwhile, camcorder sales grew 10 percent, propelling sales of 8mm tape.

Blank video cassettes have gained a sizeable foothold in drug chains, and for very good reasons. They're purchased most often by customers drug chains most want, women over 25 years old, with disposable income for non-essentials.

At the cash register the store gains a sizeable ring, with a 10 percent to 20 percent margin on sale. Increasing sales of multi-packs and the longer-playing eight hour tapes from such vendors as BASF continue to drive dollar sales.

Proof of tapes' success in drug stores was shown in recent years as the Scotch brand tape has consistently ranked in the *Drug Store News*' Annual Triple A Product Study among the top-moving drug chain SKUs.

Yet, drug stores must fight tooth-and-nail to maintain their share against advantages brought by other mass retailers to tape merchandising. Discount stores are selling tapes along with the hardware to run them.

Supermarkets have made a strong bid for this business—which is largely impulse—by building attention with departments for rental and sell-through of pre-recorded tapes.

"People are extremely price-sensitive [on tapes]," says Cynthia Stahley-Zuniga, a buyer at Genovese Drugs, who said the chain advertises tapes two or three times a month.

Genovese carries a typical drug chain assortment of four brands and one no-name, siting the everyday assortment near pre-recorded tapes where possible in the stores. Stahley-Zuniga also puts them on quarter- and mini-panels around the store for the impulse buyer.

Genovese placed more emphasis on high-grade in the fourth quarter, promoting three-packs from Scotch and Maxell that include one high-grade tape with two of standard grade.

Such "trade-up" units introducing customers to high grade enable retailers to reach a price point that gives consumers a bargain on both tape grades, observes Marty Millman, director of purchasing at Austin Drugs.

Consumers through the year buy high-grade tapes at Austin for vacations and special events. "The guy who wants to tape TV soap operas every day doesn't want a high-grade tape," says Millman, who carries Scotch, TDK, Maxell and Fuji.

Doc's Drug in suburban Chicago will be sharp this season in featuring a Memorex two-pack at $4.99, notes controller, Jeff Haran.

"Every time you pick up an ad, Longs, Pay Less, Kmart or somebody has a lower price, [featuring] every other week a Sony, Maxell or Polaroid," said Frank Hyodo, a buyer at Bill's Drug in Benecia, Calif.

Price isn't Hyodo's only worry. Bills' has stopped carrying off-brands to make a quality statement to consumers less willing to gamble with an unknown commodity, Hyodo says.

Camcorder sales gain popularity

(unit sales to dealers, in thousands)

Year	Units shipped
1987	1,604
1988	2,044
1989	2,286
1990	2,962
1991 (est.)	3,255

Source: Electronic Industries Association.

[redacted]
[redacted]

Chains who grab the impulse purchase unleash blank video cassettes' sales potential.

Tape vendors are planning high-profile promotions

Branded videotape suppliers will link promotions and advertising around major sports programs and other significant events in 1992. That's pure logic, since consumers are time-shifting more than ever, and using high-quality tapes often to record programs for more convenient viewing.

What better way to have a brand name stand out in a crowded field?

The 1992 Winter and Summer Olympics are certain to spur increased demand for videotapes, industry sources say.

As the official audio/video tape of 1992's Summer and Winter Olympic Games, Scotch 3M will be a leading advertiser. It's launching seasonal FSIs that play up high-grade and 8mm tapes, and a sweepstakes for a trip to the Olympic games.

Scotch in 1992 also offers a free on-pack Duracell "campack" that holds five nine-volt batteries for running a camcorder, with the purchase of an 8mm four-pack. And with the purchase of an eight-pack of Scotch high-quality tapes, the consumer gets a free pair of stereo ear phones.

Also, discounts on Christmas lights and photofinishing will be available to customers who buy Scotch 3M tapes in drug stores in 1992, says Tom Zohn, video market development manager.

For the third year, Fuji will tie into another American TV tradition. It's the official tape of the National Football League. In 1992, Fuji hosts for the second year in "key markets" its "Toys For Tots" promotion. Persons have the chance to donate toys, and draw for a trip to the Super Bowl, says Brad Friedrich, director of marketing-magnetic products.

Other suppliers are returning to promotions that worked well in 1991.

Polaroid this year will repeat its successful picnic promotion in which all Polaroid products including film were promoted together through a national FSI, with a picnic cooler as a value-added prize.

In a separate promotion, Polaroid offers a free subscription to *Video Maker* Magazine, which is read by camcorder users, with the purchase of high-grade VHS, 8mm or VHS-C tapes, says Don Patrican, director of marketing, U.S. consumer products.

In 1991, Maxell and Rand McNally offered "The Great American Family Vacation" promotion of a $10,000 vacation. The contest breaking this month encourages consumers to send Maxell 8mm and VHS-C tapes of their children with the winning entry receiving a $10,000 U.S. Savings Bond, says Peter Brinkman, national marketing manager.

Fay's profits decline as seasonal, GM sales lag

LIVERPOOL, N.Y. — Below-target sales in seasonal and general merchandise in the drug stores and in the Paper Cutter office supply stores put a drag on Fay's profits in the third quarter, the company said.

Net earnings for the quarter ended Oct. 26 were $1.06 million, 7 cents per share, compared with earnings in last year's quarter of $1.91 million, 12 cents a share, with the 1990 earnings including a $664,000 extraordinary charge.

The quarter's sales increased 17.7 percent to a record $212.6 million, as same-store sales grew 3.5 percent. Fay's at the end of the quarter was operating 307 drug stores, including Carls, compared with 240 stores last year.

Earnings for the first three quarters are $4.14 million versus $6.06 million last year, which includes $1.24 million in special charges.

Nine-month sales are $597.2 million, 23.9 percent better than last year, with same-store sales up 5.3 percent.

"Although our third quarter results were extremely disappointing, pharmacy and traditional drug store merchandise sales held up very well," said chairman Henry Panasci, Jr. Panasci said recessionary pressures caused GM and seasonal items to fall below projections.

"Execution of our marketing plan and cost containment efforts will be of prime importance in reaching our fourth quarter goals," Panasci added.

Big B reverses 3rd qtr. loss

BESSEMER, Ala. — Big B said net income in the third quarter ended Oct. 26 rose to $393,000, compared with a loss of $959,000 in last year's third quarter. Net income for 38 weeks reached $3.28 million, compared with a loss of $959,000 in the comparable period last year.

Third quarter sales reached $108.43 million, up 5.1 percent, with Big B operating 304 stores, seven less than it had in last year's third quarter. Three-quarter sales are $347.9 million compared with $327.3 million last year.

Meanwhile, budget-conscious consumers caused same-store sales to decline at Bruno's, Big B's supermarket-operating parent, Bruno's said. The decline for the first quarter ended Sept. 21 was furthered, the company said, by deflation.

Bruno's said same-store sales were off 0.6 percent in the quarter ended Sept. 21. The customer count increased, but sales per customer declined in a recessionary climate, Bruno's said. "We also experienced another factor which we have not seen in quite some time—deflation. . . We shipped 7 percent more cases through our distribution centers, but sales were up only 5 percent, indicating a decline in prices," the company said.

Genovese posts record net, sales

MELVILLE, N.Y. — Genovese posted record sales and earnings in the third quarter and 40 weeks ended Nov. 8.

Sales for the quarter were $97.50 million, 4.3 percent better than in last year's quarter, and net income increased 33.3 percent to $1.31 million.

For the 40 weeks, sales rose 3.8 percent to $330.96 million, with net earnings soaring 40.7 percent to $3.99 million (results include a $238,000 gain from the sale of two stores).

Bergen stung, earnings affected

ORANGE, Calif. — Bergen Brunswig said that an $8 million provision to cover "probable losses incurred in connection with credit extended to certain customers" will reduce first quarter earnings.

Net earnings for the quarter ended Nov. 30 will be about $8.5 million, the wholesaler estimated.

Bergen officials cited an increasingly competitive marketplace, and "reduced opportunity for investment buying" due to makers' price increases.

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 19.38
Largest Dollar Loser	Cardinal Distribution	$ – 6.25
Largest Percentage Gainer	Bolar Pharmaceutical	77.78%
Largest Percentage Loser	Cardinal Distribution	– 20.66%

Advances	36
Declines	22
Unchanged	1
New highs	12
New lows	4

	Close 11/22/91	Close 12/18/91	Net Change	Percent Change
Drug Store News Index	4313.10	4453.26	140.17	3.25
Dow Jones Industrial Average	2902.73	2908.09	5.36	0.18
Standard & Poor's 500-Stock Index	376.14	383.48	7.34	1.95
N.Y.S.E. Composite	208.16	211.44	3.28	1.58
Value Line Index	234.26	230.03	– 4.23	– 1.81

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 11/22/91	Closing Price 12/18/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc. (L)	ACCU	3.63	4.25	0.63	17.24	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs (H)	ARBR	20.75	23.25	2.50	12.05	26	0.12	0.52	23.50	12.38
OTC	Big B	BIGB	12.00	11.25	– 0.75	– 6.25	15	0.16	1.42	14.50	7.13
OTC	Drug Emporium	DEMP	6.25	6.00	– 0.25	– 4.00	86	0.12	2.00	9.63	5.75
NYS	Fay's Inc.	FAY	9.38	8.88	– 0.50	– 5.33	15	0.20	2.25	15.75	7.75
ASE	Genovese Drug	GDX.A	14.00	13.63	– 0.38	– 2.68	15	0.24	1.76	14.63	5.00
NYS	Longs Drug Stores	LDG	34.63	35.13	0.50	1.44	13	1.08	3.07	44.38	30.88
OTC	Medicine Shoppe	MSII	23.00	24.50	1.50	6.52	19	0.36	1.47	28.75	18.00
NYS	Perry Drug (H)	PDS	8.13	8.75	0.63	7.69	15	0.00	0.00	9.13	3.75
NYS	Rite Aid Corp.	RAD	18.50	19.63	1.13	6.08	14	0.48	2.45	23.88	17.25
NYS	Walgreen Co. (H)	WAG	31.88	35.63	3.75	11.76	23	0.52	1.46	36.13	24.75
Wholesaler's transactions											
ASE	Bergen Brunswig (L)	BBC	20.63	17.00	– 3.63	– 17.58	13	0.40	2.35	26.19	16.00
OTC	Bindley Western Ind.	BIND	17.38	17.13	– 0.25	– 1.44	13	0.04	0.23	18.25	11.38
OTC	Cardinal Distribution	CDIC	30.25	24.00	– 6.25	– 20.66	21	0.08	0.33	38.75	20.00
OTC	Durr-Fillauer (L)	DUFM	20.75	19.75	– 1.00	– 4.82	13	0.28	1.42	34.75	17.50
NYS	McKesson Corp.	MCK	34.50	33.63	– 0.88	– 2.54	14	1.60	4.76	40.13	30.38
ASE	Moore Medical	MMD	4.25	3.38	– 0.88	– 20.59	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.38	20.50	0.13	0.61	24	0.20	0.98	24.25	9.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	58.63	61.13	2.50	4.26	25	1.00	1.64	61.38	39.25
NYS	American Home Products (H)	AHP	74.63	79.50	4.88	6.53	19	2.60	3.27	79.50	46.50
ASE	Barr Laboratories	BRL	20.50	18.50	– 2.00	– 9.76	29	0.00	0.00	37.50	7.75
NYS	Baxter International	BAX	36.13	37.75	1.63	4.50	19	0.72	1.91	39.38	25.63
OTC	Block Drugs Co. (H)	BLOCA	60.00	58.25	– 1.75	– 2.92	19	0.84	1.44	60.19	35.94
ASE	Bolar Pharmaceutical (H)	BLR	5.63	10.00	4.38	77.78	—	0.00	0.00	10.13	2.00
NYS	Bristol-Myers Squibb	BMY	80.25	80.38	0.13	0.16	21	2.76	3.43	87.88	61.13
NYS	Carter-Wallace (H)	CAR	100.50	119.88	19.38	19.28	40	1.00	0.83	120.38	52.63
ASE	Columbia Labs (H)	COB	7.88	8.75	0.88	11.11	—	0.00	0.00	9.75	4.00
ASE	Forest Labs	FRX	38.38	38.63	0.25	0.65	38	0.00	0.00	43.63	22.38
ASE	Halsey Drug	HDG	6.75	7.06	0.31	4.64	28	0.00	0.00	8.25	2.25
NYS	ICN Pharmaceutical	ICN	16.00	17.75	1.75	10.94	—	0.00	0.00	19.00	2.50
ASE	Lee Pharmaceutical	LPH	1.00	0.88	– 0.13	– 12.50	—	0.00	0.00	2.25	0.81
ASE	Leiner P. Nutrition	PLI	13.00	13.50	0.50	3.85	13	0.00	0.00	13.88	7.25
NYS	Lilly Eli Co.	LLY	73.75	76.88	3.13	4.24	18	2.20	2.86	85.13	67.50
NYS	Marion Merrell Dow	MKC	31.50	35.25	3.75	11.90	18	0.92	2.61	39.63	27.25
NYS	Merck Co. (H)	MRK	144.13	152.13	8.00	5.55	29	2.52	1.66	152.38	82.00
NYS	Mylan Labs	MYL	36.88	36.88	0.00	0.00	38	0.20	0.54	39.88	17.13
OTC	Nutramax Products	NMPC	7.63	8.88	1.25	16.39	25	0.00	0.00	9.00	0.88
NYS	Pfizer Inc. (H)	PFE	68.00	73.63	5.63	8.27	28	1.32	1.79	75.88	36.75
NYS	Pharmaceutical Resources	PRX	3.88	4.38	0.50	12.90	—	0.00	0.00	5.88	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	55.50	61.25	5.75	10.36	23	0.48	0.78	61.25	33.75
NYS	Schering Plough	SGP	60.88	62.13	1.25	2.05	22	1.32	2.12	65.63	40.75
NYS	Syntex Corp.	SYN	38.25	41.75	3.50	9.15	22	0.92	2.20	47.88	26.88
OTC	Taro-Vit Industries	TAROF	5.88	5.75	– 0.13	– 2.13	44	0.00	0.00	6.50	2.63
OTC	Teva Pharmaceutical Ind.	TEVIY	17.25	16.00	– 1.25	– 7.25	16	0.16	1.00	20.25	11.00
NYS	Upjohn Co.	UPJ	40.13	39.63	– 0.50	– 1.25	14	1.36	3.43	49.25	34.75
NYS	Warner-Lambert	WLA	70.50	69.38	– 1.13	– 1.60	17	1.76	2.54	82.25	61.75
OTC	Zenith Labs	ZENL	12.00	13.25	1.25	10.42	36	0.00	0.00	23.25	5.50
Other retailer transactions											
NYS	Albertson's	ABS	35.88	35.25	– 0.63	– 1.74	19	0.56	1.59	51.38	32.63
NYS	American Stores	ASC	28.75	27.63	– 1.13	– 3.91	7	0.68	2.46	46.19	26.00
NYS	Giant Food	GFS.A	21.13	23.00	1.88	8.88	13	0.64	2.78	31.25	20.63
NYS	Great Atlantic&Pacific Tea (L)	GAP	26.13	26.25	0.13	0.48	9	0.80	3.05	57.75	26.00
NYS	Kmart	KM	39.50	40.88	1.38	3.48	11	1.76	4.31	49.50	25.63
NYS	Kroger	KR	17.38	18.75	1.38	7.91	13	0.00	0.00	24.50	12.63
NYS	Melville Corp.	MES	40.38	39.25	– 1.13	– 2.79	12	1.44	3.67	55.25	38.75
OTC	Fred Meyer	MEYR	21.75	22.38	0.63	2.87	14	0.00	0.00	24.75	11.25
NYS	Penney, JC	JCP	49.63	49.38	– 0.25	– 0.50	14	2.64	5.35	58.25	42.38
NYS	Safeway	SWY	16.75	17.13	0.38	2.24	13	0.00	0.00	21.63	11.75
NYS	Smith's Food & Drug	SFD	35.63	31.00	– 4.63	– 12.98	19	0.36	1.16	43.75	28.13
NYS	Wal-Mart (H)	WMT	47.13	53.13	6.00	12.73	41	0.16	0.30	53.38	28.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter.
(s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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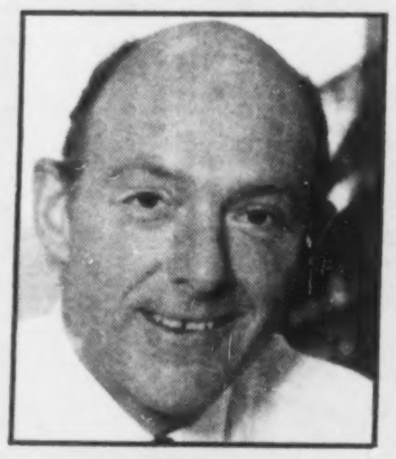
Revco sweetens its offer to creditors


Sells

TWINSBURG, Ohio — At press time, Revco D.S. weighed in with its own counterpunch in the struggle to determine the company's future: a sweetened offer to creditors.

Revco's new plan offers creditors more than $100 million in cash—double the amount proposed in Revco's original reorganization plan. That first plan was floated last June and later abandoned when Revco switched its support to the rival TBN plan proposed by creditors *(see main story).* The new plan also offers more Revco equity, as well as new secured notes, to claimants.

"Financially, we believe this plan offers creditors recoveries equal to or better than other plans in this case," said Boake Sells, Revco chairman and ceo. "It also assures an independent Revco, proposes no massive store closings and preserves thousands of jobs. Further, as this plan does not require the time that would be needed for planning store closings or layoffs and has no due-diligence or antitrust risks,

See **Revco** *page 57*

Eckerd grabs the lead in fight to win Revco

With a final, sweetened takeover offer last month during hard bargaining sessions in New York, Eckerd gained the support of key creditor groups in its effort to acquire bankrupt Revco D.S. The move stalls Revco's bid to emerge quickly from Chapter 11, and seriously jeopardizes its efforts to remain independent.

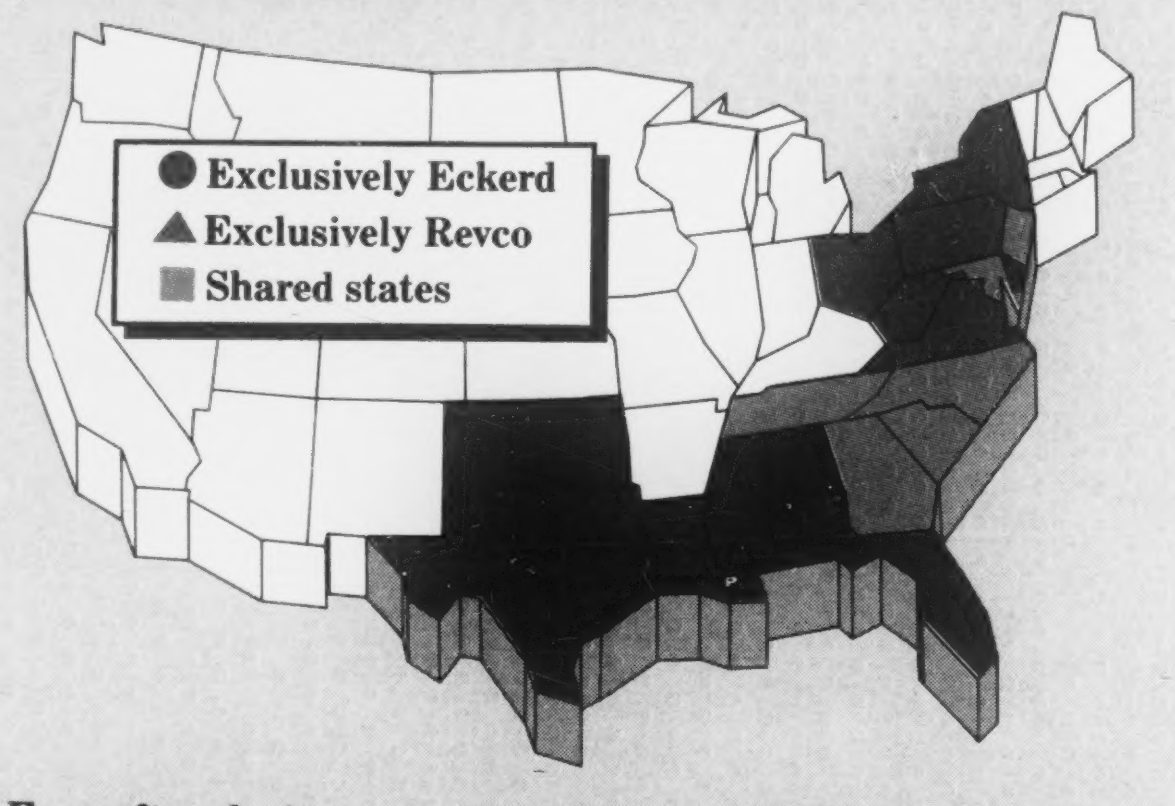
By James Frederick

CLEARWATER, Fla. — Jack Eckerd Corp. appears close to a come-from-behind victory in its quest for Revco D.S., after sweetening its buyout offer in an intense round of 11th-hour negotia-

See **Eckerd** *page 57*

Eckerd IPO story pg. 58

How Eckerd's map may change



Even after closing a possible 300 Revcos, Eckerd would be the country's largest drug chain with 2,500-plus stores. Sales of $5-$6 billion would place Eckerd second only to Walgreens.

LATE NEWS

• TULSA, Okla. — May's Drug Stores has chosen this city as the site of a new 50,000-square-foot distribution center, which is expandable to 90,000 square feet over the next three to five years, said president Gerald Heller. FoxMeyer, its primary wholesaler, will lease and manage the facility, and relocate all merchandise now stored in Joplin, Mo. and elsewhere in Tulsa, to the new DC in March.

• MANHASSET, N.Y. — David Thalheim, president of Thalheim Expositions since 1987, has resigned to pursue other interests. Jay Thalheim remains as chairman, and Beth Thalheim, the trade show management firm's secretary-treasurer since 1958, has assumed the presidency.

FEATURES

New intros push ethnic hot buttons

A burst of new products, particularly high priced lines, have made ethnic cosmetics sales soar. **Page 35.**

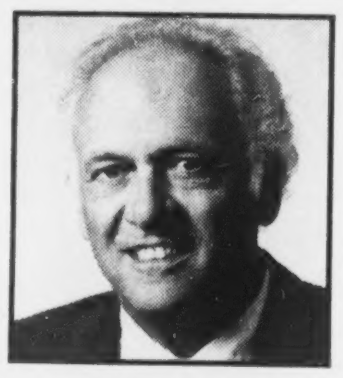
Photo snaps back at year end

Drug stores continue to dominate other trade classes in film processing by capturing 25.1 percent of market share. **Page 52.**

SECOND CLASS

Bergen to buy O&M Rx segment

Owens & Minor, Inc. agrees to sell its pharmaceutical distribution business, worth around $300 million in annual sales volume, to Bergen Brunswig Drug Co. The divestiture will accelerate expansion of O&M's medical/surgical division, while Bergen's acquisition will boost its sales and marketing activity in Virginia and the mid-Atlantic states.


Martini

ORANGE, Calif. — Bergen Brunswig Drug Co. has agreed to acquire the net assets of Owens & Minor's wholesale drug business for an estimated $50 million. Although financial details of the agreement have not been disclosed, terms are expected to be cash. Subsequent to regulatory and other approvals, the closing is slated for Feb. 29.

Assets to be sold include three distribution centers, in Richmond, Va., Norfolk, Va., and Wilson, N.C., which together generate annual sales of around $300 million. In the first nine months of 1991, O&M's wholesale pharmaceutical segment represented around 22 percent of its total business, and the medical/surgical distribution arm provided 78 percent.

Bergen's president, Phillip R. Engel, told *Drug Store*

See **Bergen** *page 57*

NACDS spotlights industry concerns

Distribution conference focuses on alliances

ALEXANDRIA, Va. — For the nearly 300 chain drug attendees expected at the third annual NACDS Distribution/Logistics Conference, the hot topic will be partnering. In fact the theme of this year's conference is "Quality Alliances: The New Reality."

That subject, though, will share the spotlight at the Orlando conference, held February 12 to 14, with other distribution concerns, such as reclamation, backhaul opportunities and harnessing EDI technology.

Retailers credit this annual conference with improving dialogue between vendors and retailers through one-on-one meetings. And they say that this year's meeting should further solidify relationships.

"Since the first conference in 1990, I see

See **Alliances** *page 57*

Small chains network with business peers

ALEXANDRIA, Va. — Registrants for the NACDS Small Chain Conference are looking forward to the opportunity to network with peers, meet with vendors and garner ideas in New Orleans.

The conference, to be held February 8 to 11 at La Meridien New Orleans, is the only industry conference designed for the needs of smaller chains.

"This conference is designed for chains with 50 stores or less which do less than $100 million of volume," said Gerald Heller, president and ceo of Tulsa-based 34-unit May's Drug Stores, Inc. "It's the one time a year we can focus on our needs."

"This is the ultimate business peer group," said Morley Cohn, president of Altoona, Penn.-

See **Small** *page 57*

NEWS IN BRIEF

CVS goes high-tech with slot scanners

WOONSOCKET, R.I. — CVS plans to begin installation of slot scanners in its stores in the next few months.

The chain has ordered between 2,000 and 4,000 LS5000 scanners from Bohemia, N.Y.-based Symbol Technologies, Inc. The order represents an investment of between $2.8 and $5.6 million.

The slot scanners, which are similar to scanners used in supermarket checkout lines, allow for hands-free checkout and increase checker productivity. That means store lines move faster and customer frustration can be curbed.

Happy Harry's opens in Garden State

NEWARK, Del. — Happy Harry's Discount Drug has crossed the boarder into New Jersey with a 8,500 square-foot location in Pennsville. President Alan Levin said some Pennsville residents had been shopping the chain in Delaware to take advantage of the state's lack of a sales tax.

The chain positioned its latest 10,200-square-foot store (due to open this week) near the Maryland border to attract customers who want to beat their state's sales tax.

Sauter appointed to CDMA

Sauter

NEW YORK — George Sauter has been appointed executive deputy to the president of the Chain Drug Marketing Associates (CDMA).

He will report directly to CDMA president James Devine and will be the organization's liaison with members.

Previously, Sauter had been a consultant with the Armed Forces Benefit Association, served as vp-operations at The Life Underwriter Training Council and as senior director of administration and member services at the Mortgage Bankers Association.

Urquhart, Duffley to co-chair Marketplace '92

ALEXANDRIA, Va. — Margaret Urquhart, president of Wellby Super Drug Stores, and Paul Duffley, vp-trade development at Pepsi-Cola, have been named co-chairmen of the NACDS Marketplace Conference Committee.

The Marketplace meeting, a major retail trade show now in its sixth year, will be held June 28 to July 1 at the New Orleans Convention Center.

Marketplace 1991 was the largest meeting in NACDS' 58-year history. More than 2,500 registrants attended, and there were over 426 booths.

Yonko named vp of supplier partnering at McKesson

SAN FRANCISCO—Gregory Yonko has been named vp of supplier marketing at McKesson Drug Co. He will work under senior vp Fred Toney in strengthening the company's supplier/vendor alliances to make distribution, purchasing and sales more efficient, "a key strategic theme for us," says Toney.

He has been with McKesson for 15 years, and most recently was director of financial planning.

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F&M adds stores in Boston as Drug Emporium mulls options

Both F&M and Drug Emporium entered New England last September with stores in the greater Boston market. Since then, F&M has opened two more units and plans to add several more this year. Drug Emporium, meanwhile, has scaled back plans and may pull out altogether as it focuses on core markets and profitability.

By James Frederick

BOSTON — Last fall, this major market was shaping up as the latest arena for head-to-head competition between two off-price drug store giants. Four months later, F&M has clearly seized the opportunity to expand in a troubled region while Drug Emporium shifts strategy to focus on improving profitability.

F&M opened its first unit here in early September, in the city of Brockton, Mass., just south of Boston. Drug Emporium fired an answering salvo two weeks later, making its first New England incursion with a grand opening in Bedford, N.H. on the fringes of the Boston metroplex. At the time, both companies foresaw big opportunities in a major new market with little deep-discount competition.

Since then, however, the chain has scaled back growth plans for the region—at least for the time being—and may pull out entirely. The reason, according to president and ceo Gary Wilber: to boost profitability and market share in core Drug Emporium markets.

"We're looking at somewhat slower growth rates over the next couple of years, as we concentrate on store performance and profits," Wilber told *Drug Store News* in early January. He added, "We really haven't come to a final decision about the long-term viability of the Boston market. We only have one store there, so we're in no hurry to decide one way or the other.

"There's a great opportunity in the [Boston] market for new players, but strategically we have to decide if it makes the most sense for us right now," Wilber added. Either way, he said, "We're not going to stay up there with just one store."

Meanwhile, F&M has pushed ahead. Since its Brockton incursion, the chain has added two more units in the Boston-area towns of Natick, Mass., and Nashua, N.H. "We're very happy with their early performance, and we'll open at least another four stores in the market this year," said F&M president Frank Newman. "If we're doing as well as we are right now with the New England economy the way it is, we should be in very good shape when things pick up."

Newman characterized New England's economy as "practically a depression," and conceded that real estate development has slowed to a crawl. Nevertheless, he indicated, the chain has been fairly successful at turning lemons into lemonade in this troubled region, where unemployment is far above the national average and no quick turnaround is in sight.

"With our pricing, we're probably attracting a greater proportion of the business than we would ordinarily, given the economy," Newman said. "This is a relatively high-priced market."

In F&M's sights this year are store locations in Chelmsford, Braintree, Somerville, Saugus, and North Attleboro, Mass.

Armor, former Thrift president, dies

Armor

CHARLESTON, S.C. — James B. Armor, former president of Thrift Drug Co., died of heart failure here on January 10. He was 65.

Armor, who joined J.C. Penney in 1947, was named director of store operations of Thrift when Penney purchased the Pittsburgh-based drug chain in 1970. He was appointed executive vice president in 1976 and served as president from 1980 until his retirement in 1987. Under his leadership, Thrift grew to a 500-unit chain operating in 17 states.

During his years as Thrift president, Armor was also an NACDS board member and served on the association's executive committee.

"We will certainly miss him," said Bob Bolger, retired president of NACDS. "He was a very strong individualist and a man of high principle. He was a fair person who was well liked and well respected. He had a loyal staff with little or no turnover.

"Jim didn't mind speaking up when the board sometimes entertained ideas that were folly. The board had high regard for his intellect and conservativism. We used to call him the 'red, white and blue man' because of his ideals and moral stance," Bolger said.

In addition to his professional activities with NACDS, the Retail Drug Institute, and the Pittsburgh Regional Industrial Development Corp., Armor participated in many community organizations including service as chairman of the United Way of Pittsburgh and on the board of directors of Allegheny General Hospital of Pittsburgh.

Donations in Armor's memory can be made to the Allegheny Heart Institute or the Salvation Army. Armor was a graduate of Oklahoma University and a U.S. Navy World War II veteran. He is survived by his wife, Mary Ann, and four children.

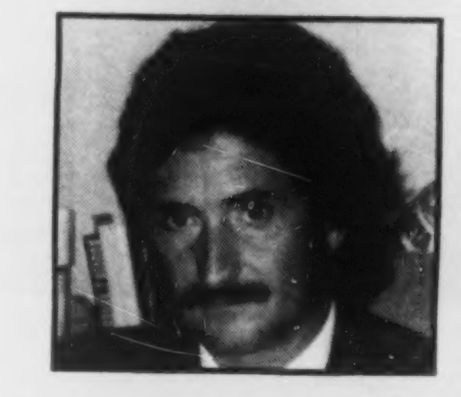
Inventory mgt. conference on tap

Lebhar-Friedman, parent company of *Drug Store News*, and Ernst & Young, the leading integrated professional services firm serving the retail industry, will conduct the industry's first ever conference on "Managing the Inventory Pipeline Through Partnerships and Technology." The seminar will be held June 14-16 at the Chicago Downtown Marriott and is recommended for retailers and suppliers who are responsible for inventory pipeline management in both food and nonfood retail operations.

Topics to be covered include Quick Response/Electronic Data Interchange Partnerships, Space Management, Inventory Leveling and Distribution Center Capacity Planning.

Registration fee, including all seminars and meals, is $350 per person, $295 per person if three or more paid attendees are from the same company. To receive a registration form or for more information, contact Mary Beth McMahon, Lebhar-Friedman, 425 Park Av., New York, N.Y. 10022, (212) 756-5258.

Correction



In the Jan. 20 issue, a photograph of Nikolas Palin was misidentified. Palin is the new president of sales for the Rexall Family of Companies.

In the Revco Bowl, the odds favor Eckerd

The battle for Revco now comes down to two players: Eckerd Drug and the team of managers that rescued the Twinsburg, Ohio-based chain from oblivion. (Their efforts, of course, are what have made Revco such a prize.) While the sentimental money might favor the Revco team, the heavy betting is on the contenders from Clearwater.

IN THE MARKET
BRUCE BUCKLEY

The standard sports cliche is that, given teams relatively evenly matched in physical skills, the victory usually goes to the one who wants it the most, the one with the emotion. In the case of Revco, I think that holds true: Eckerd wants it most; it has the emotion.

The Texas Revcos whetted Eckerd's appetite; now it wants the whole meal. In a business deal the raw emotion of the physical contest is sublimated, but it's there, fueled by pride and ambition. The best companies — the Wal-Marts, the Walgreens— have a surplus.

The team that has led Eckerd through the potentially difficult years of an LBO has reason to feel pride and certainly can't be faulted for the ambition. The Revco merger is like a booster rocket.

If it goes through, Eckerd becomes the nation's largest drug chain in terms of stores, with more than 2,500 units, even after shuttering or selling off as many as 300 Revcos.

By adding almost $2 billion in volume, Eckerd would leap into the number two position among drug chains, with almost $6 billion in sales.

Nothing else on the horizon offers that kind of jump start.

In the recent top brands study that Leo J. Shapiro did for *Drug Store News*, drug chains were ranked according to consumer preference. Walgreens outranked Eckerd by several percentage points. If the merger goes through, it will be interesting to see how it affects the percentage in this year's study.

* * *

My Uncle Wiley is highly opinionated. He's also a close observer of the drug store industry and the trade publishing scene. He reads all the magazines and, from time to time, sends me his comments. For a change of pace, I thought I'd let you read his most recent letter. If you like it as a counterpoint, let me know.

Dear nephew:

A quick comment on the Wal-Mart/NAGMR controversy: a recent editorial in another drug store publication offered a solution by suggesting that Wal-Mart and NAGMR sit down and work things out.

That's just the kind of insightful commentary this industry needs—chicken soupism—can't help, can't hurt . . . and no one is offended.

For starters, if Wal-Mart's policy is what it seems to be, the result will unnecessarily put a lot of good reps out of business. Legal? Perhaps. Unfair? Grossly.

Certainly compromise is needed on price-sensitive items handled through reps, and Wal-Mart has not just a right, but an obligation to maximize buying efficiencies.

On most items, however, I think there is more than enough room for this mega vendor to exercise a "live and let live" policy.

Brokers are vitally important to the smaller and mid-size lines they rep. . .and a good broker is a valuable asset to the chains they are calling on as well.

I believe that the industry is better served from both a vendor and retailer standpoint by insuring that no single chain's policy has the effect, purposely or inadvertently, of driving this class of trade out of business.

That's it for now. Give my regards to the family. And all the best to you.

Wiley

FDA's drug approval process is in neutral

For at least 10 years now, we've been hearing Food and Drug Administration officials outline ambitious "action plans" and other maneuvers to streamline the agency's overly bureaucratic new drug approval process.

How much progress has really been made? Based on the latest statistics, you could make a case that FDA is stuck in neutral—if not rolling in reverse.

WASHINGTON PERSPECTIVE
KEN RANKIN

Back in 1985, FDAers were boasting about making significant progress in eliminating drug approval bottlenecks and closing the so-called "drug gap" that has left Americans waiting months or years for new medicines already available to Europeans.

In that year, FDA officials granted final marketing approval to a total of 30 new molecular entities (NMEs)—up from 22 NMEs in 1984. And best of all they trimmed the average review time for each of these new drugs by more than seven months.

The progress since then has been less than spectacular. Last year the number of NMEs approved by FDA held at 30, the same total that agency officials reached in 1985, and only a handful of the 1991 batch represent any real breakthrough.

Indeed, only five of last year's 30 NMEs afford any "significant therapeutic gains," FDA acknowledged, while two-thirds of them offer little if any therapeutic advantage over drugs already on the market.

The generic drug approval situation is even more discouraging. Last year FDA approved only a dozen "first time" generic drugs—down from 80 such approvals in 1990.

Of course, this kind of score keeping may be a bit unfair to FDA because the number of drugs that can be approved ultimately depends on the number of applications submitted by the industry.

But it certainly is reasonable to expect FDA to process new drug applications expeditiously. And in this respect the agency appears to come up short as well.

During 1991 it took FDA an average of 30.3 months to clear each NME approved. That's not only a step backward from 1990's average "hang time" of 27.7, but it's a notch below FDA's pace a decade ago!

Indeed, back in 1982 when Reagan Administration FDAers were rattling on about "getting government off the back of industry" FDA approved 28 NMEs in an average of only 28.8 months!

Officials at both PMA and FDA are quick to point out that one reason the average approval time increased last year was that the agency made a concerted effort to clear backlogged NDAs that had been in the pipeline for years.

With those products out of the system, average NME approval in 1992 should show dramatic improvement, they maintain.

They may be right. This time around, FDA may truly be on the verge of breaking the bureaucratic bottlenecks that have kept important medicines off the U.S. market unnecessarily.

Let's remember to check the box score again this time next year.

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New products push ethnic hot button

Upscale lines make dollar and unit sales soar

A burst of new product activity—including higher priced upscale lines—has turned the ethnic cosmetic category into one of the hottest growth segments of the year.

According to Towne-Oller, dollar sales in the category rose 49 percent for the year ending November 1991, while unit sales were up 68 percent.

Chairman and ceo Eugene Applebaum of Arbor Drug describes ethnic cosmetics as a "giant opportunity for our company. This business is at the point where it's supported by key venders and that makes it a business with very strong potential."

Buyers credit Maybelline's Shades of You for sparking the growth when the line was launched two years ago, but as chains expand the department to more stores and as the planogram for ethnic cosmetics becomes larger and more visible, buyers are reporting sales increases in virtually every family line.

At Walgreens, Steve Lubin, divisional merchandise manager of cosmetics and fragrances, said the segment is generating significant growth dollars. The chain now has ethnic cosmetic departments of various sizes in nearly 500 stores. The size of the department depends on the demographics of the area.

Lubin says he's seeing good growth in Posner and Shades of You, as well as in Worlds of Curls' premium priced line (in the $7 and $8 range), Simply Satin. His budget line, Tropez, is doing "great." Lubin recently added another premium priced line, Almay's new Darker Tones collection, to the planogram, but he says it's too soon to evaluate sales.

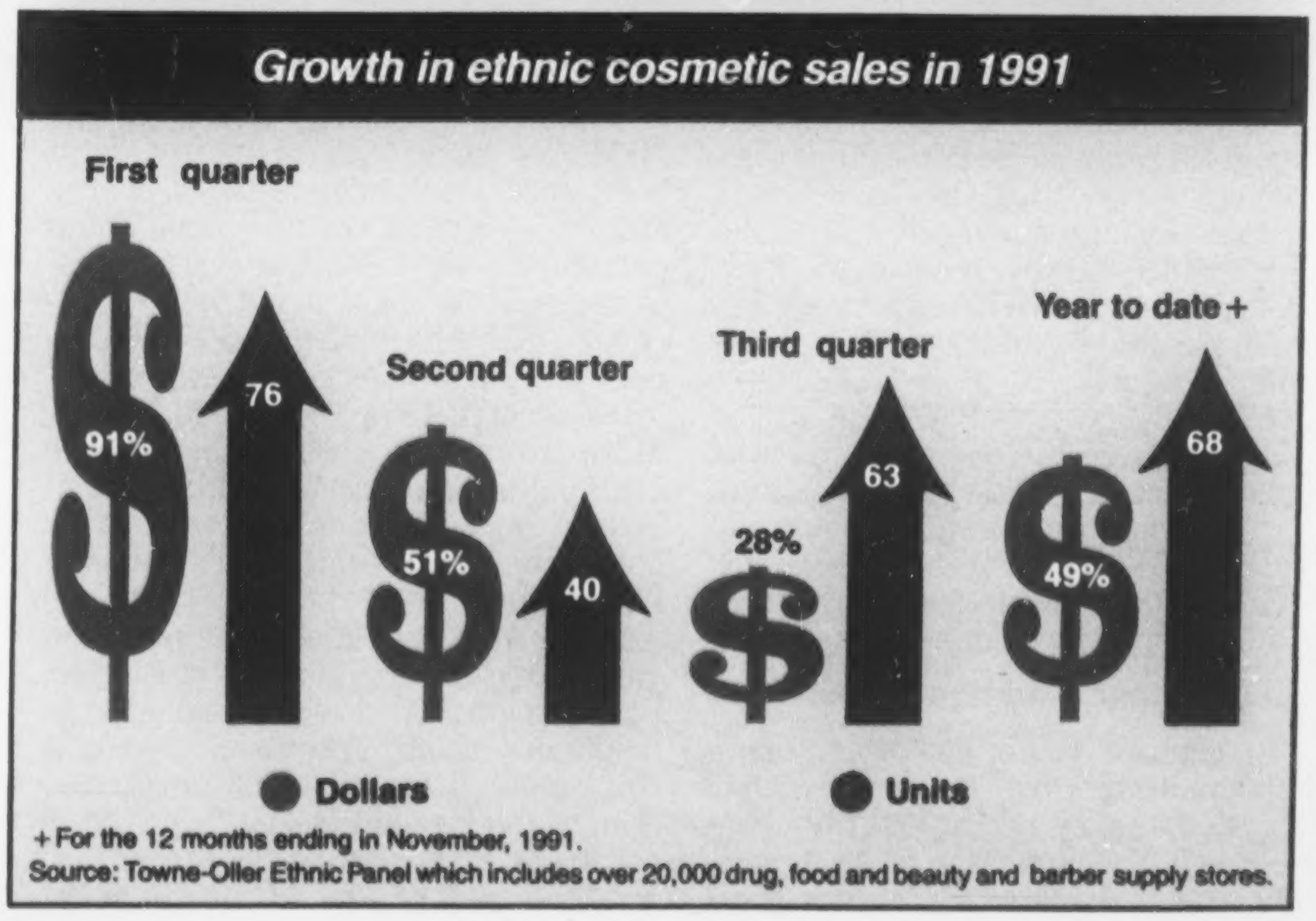
Upscale opportunity

At 19-unit Crown Drug in North Carolina, cosmetic buyer Toni Markham can see a possible opportunity for higher price point lines in mass market stores.

"I've waited on some customers myself, and they've told me that they don't want to pay department store prices for lines like Fashion Fair, so I think there is a need for high quality ethnic cosmetics sold in drug stores, but it will take time for the word to get around that they're available."

Right now Shades of You is the only ethnic cosmetic line in Crown's four high-volume ethnic stores. Only two feet has been devoted to the line on the cosmetic wall next to Maybelline, and no special signage is currently highlighting the section.

But Markham is considering broadening the category's visibility by testing Black Radiance, which would expand her offerings to two lines at two separate price points.



Growth in ethnic cosmetic sales in 1991

+ For the 12 months ending in November, 1991.
Source: Towne-Oller Ethnic Panel which includes over 20,000 drug, food and beauty and barber supply stores.

Ethnic cosmetics have also been growing dramatically at Wilsonville, Ore.-based Pay Less Drug, but a good portion of that growth is due to expanded distribution. Since Pay Less collects sales data through scanning registers, cosmetic buyer Shari Ralston can compare and measure the productivity of her department by brand, vender, category segment and item.

Listening to consultants

Pay Less had originally designated only 86 stores as appropriate for ethnic cosmetic departments; that was later expanded to 120 stores in response to requests from Pay Less' in-store cosmetic consultants.

"Our consultants have a good feel for their stores and for what will sell there. When they ask us for ethnic cosmetics, we accommodate them because we know they understand their customers and their needs," she said.

Posner and Shades of You both have about two feet in Pay Less' ethnic neighborhood stores. Almay and Black Radiance are being tested on spinners, not the wall. Space for the category is coming from Pay Less' flex space as well as from smaller, marginal lines whose turns have been disappointing.

Ralston is another buyer who thinks her customers will trade up. She sees Revlon's launch of an ethnic line later this year as a way to meet unsatisfied needs in the market.

"Shades of You and Posner are very good lines and they do well, but I think there are some women who want drug stores to carry a more upscale line. The women who buy Fashion Fair or Flori Roberts would like to see a comparable line in drug stores, and I think the Revlon line is what they've been waiting for. Revlon has a very upscale image. The packaging is wonderful. It's nicely positioned and I think the presentation is fabulous," said Ralston.

Keying into market

Cosmetic buyer Kathy Johannes at Kerr Drug in North Carolina, has just created two planograms for cosmetics. One is a standard cosmetic planogram, for the 58 predominately white neighborhood stores, and the other is an ethnic cosmetic planogram for the 38 stores in markets with a large populations of African-Americans and other ethnic groups.

"We do a tremendous business in ethnic hair care," says Johannes, "so we needed this. We needed more of a presence in the category.

"And, of course, there is so much happening in the market with the launch of new lines and new formulas that we can bring a wider mix of prod-

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